

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF SYNERGY HOUSE BERHAD (“SYNERGY” OR THE “COMPANY”) DATED 12 MAY 2023 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Electronic Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at www.bursamalaysia.com (“**Website**”).

Availability and Location of Paper / Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper / printed copy of the Electronic Prospectus directly from the Company, Kenanga Investment Bank Berhad (“**Kenanga IB**”) or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a paper / printer copy of the Electronic Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the application forms are not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, Kenanga IB and Synergy take no responsibility for the distribution of the Electronic Prospectus and / or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from **10.00 a.m. on 12 May 2023** and will close at **5.00 p.m. on 18 May 2023**. In the event there is any change to the timetable, the Company will advertise the notice of change in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia and will also announce it on Bursa Securities’ website accordingly.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the Website and the use of the contents of the Website and / or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind and shall not at any time be relied upon as such.

Save for the furniture; all other illustrations (assets, personnel and properties) in the photos shown at the back of this Prospectus do not belong to the Group.



**SYNERGY
HOUSE**

SYNERGY HOUSE BERHAD

(Registration No.: 202101025778 (1426078-V))
(Incorporated in Malaysia under the Companies Act 2016)

Lot 18.A & 18.B & Lot 19.A,
Level 18 & 19, Top Glove Tower,
No. 16, Persiaran Setia Dagang,
Bandar Setia Alam, Seksyen U13,
40170 Shah Alam, Selangor

TELEPHONE NO. : (6017) 366 3426 **EMAIL :** info@synergy-house.com

synergyhouseberhad.com

SYNERGY HOUSE BERHAD

P R O S P E C T U S

P R O S P E C T U S

THIS PROSPECTUS IS DATED 12 MAY 2023



**SYNERGY
HOUSE**

SYNERGY HOUSE BERHAD

(Registration No.: 202101025778 (1426078-V))
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING (“IPO”) OF 130,000,000 ORDINARY SHARES IN SYNERGY HOUSE BERHAD (“COMPANY” OR “SYNERGY”) (“SYNERGY SHARES” OR “SHARES”) ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) COMPRISING:

- (I) **PUBLIC ISSUE OF 80,000,000 NEW SYNERGY SHARES IN THE FOLLOWING MANNER:**
- (A) 25,000,000 NEW SYNERGY SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - (B) 12,500,000 NEW SYNERGY SHARES AVAILABLE FOR APPLICATION BY ELIGIBLE PERSONS;
 - (C) 30,000,000 NEW SYNERGY SHARES AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND
 - (D) 12,500,000 NEW SYNERGY SHARES AVAILABLE BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (“MITI”),

AND

- (II) **OFFER FOR SALE OF 50,000,000 EXISTING SYNERGY SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED BUMIPUTERA INVESTORS APPROVED BY THE MITI;**

AT AN IPO PRICE OF RM0.43 PER SHARE PAYABLE IN FULL UPON APPLICATION.

Principal Adviser, Sponsor, Underwriter and Placement Agent

kenanga

KENANGA INVESTMENT BANK BERHAD

Registration No. 197301002193 (15678-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”). THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THIS ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA (“SC”) UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 174.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF OUR COMPANY TO THE OFFICIAL LIST OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED SHARE CAPITAL ON THE ACE MARKET OF BURSA SECURITIES. THIS PROSPECTUS HAS BEEN REGISTERED BY BURSA SECURITIES. THE APPROVAL FOR THE ADMISSION OF OUR COMPANY TO THE OFFICIAL LIST OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED SHARE CAPITAL ON THE ACE MARKET OF BURSA SECURITIES, AND THE REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. BURSA SECURITIES HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX MONTHS FROM THE DATE OF THIS PROSPECTUS.

All defined terms used in this Prospectus are defined under “Definitions” commencing on page xi, “Glossary of Technical Terms” commencing on page xvii and “Presentation of Information” commencing on page viii.

RESPONSIBILITY STATEMENTS

The Directors, and Promoters (as defined in this Prospectus) of Synergy House Berhad (“**Synergy**” or the “**Company**”) and the Offeror (as defined in this Prospectus) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Kenanga Investment Bank Berhad (“**Kenanga IB**”), being our Principal Adviser, Sponsor, Underwriter and Placement Agent in relation to our IPO (as defined in this Prospectus), acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENTS OF DISCLAIMER

Our Company has obtained the approval of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for our Listing (as defined in this Prospectus). Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the Application Form (as defined in this Prospectus), has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

OTHER STATEMENTS

Investors should note that they may seek recourse under Sections 248, 249 and 357 of the Capital Market and Services Act 2007 (“**CMSA**”) for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Our Shares are classified as Shariah compliant by the Shariah Advisory Council of the SC (as defined in this Prospectus). This classification remains valid from the date of issue of the Prospectus until the next Shariah compliance review undertaken by the Shariah Advisory Council of the SC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

This Prospectus is prepared and published solely in connection with our IPO under the laws of Malaysia. Our Shares are issued/offered in Malaysia solely based on the contents of this Prospectus. Our Company, our Promoters and our Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection herewith. It shall be your sole responsibility, if you are or may be subject to the laws of any country or jurisdiction other than Malaysia, to consult your legal and/or other professional advisers as to whether your application for our IPO would result in the contravention of any law of such country or jurisdiction which you may be subject to. Neither we nor our Principal Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any other application made by you shall be illegal, unenforceable, avoidable or void in any such country and jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of this Prospectus and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you have accepted our IPO in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the electronic Prospectus and this Prospectus registered by Bursa Securities are the same.

You are advised that the internet is not a fully secured medium. Your Internet Share Application (as defined in this Prospectus) may be subject to risks or problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined in this Prospectus). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of the Electronic Prospectus, you should immediately request a paper/printed copy of this Prospectus from us, our Principal Adviser or Issuing House (as defined in this Prospectus). If there is any discrepancy between the contents of the Electronic Prospectus and the contents of the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper / printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with Bursa Securities, will prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**") whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we are not responsible for the availability of, or the content or any data, information, files or other materials provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- (iii) any data, information, files or other materials downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, files, information or other materials.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the Electronic Prospectus, i.e. to the extent that the content of the Electronic Prospectus on the web server of the Internet Participating Financial Institutions may be viewed via web browser or other relevant software. The Internet Participating Financial Institutions are not responsible for the integrity of the contents of the Electronic Prospectus, which has been obtained from the web server of the Internet Participating Financial Institutions and subsequently communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium; and
- (iii) the Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

An indicative timetable of our IPO is set out below:

<u>Events</u>	<u>Indicative dates</u>
Opening date of our IPO	10:00 a.m., 12 May 2023
Closing date of our IPO	5:00 p.m., 18 May 2023
Balloting of Applications	22 May 2023
Allotment / transfer of our IPO Shares to successful applicants	30 May 2023
Date of Listing	1 June 2023

In the event there is any change to the timetable, we will advertise a notice of change in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia and will also announce it on Bursa Securities' website accordingly.

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PRESENTATION OF INFORMATION

Any reference to words such as “we”, “us”, “our” and “ourselves” in this Prospectus shall be a reference to our Company, our Group or any member company of our Group as the context requires, unless otherwise stated. All references to “our Company” or “Synergy” in this Prospectus are to Synergy House Berhad, references to “our Group” or “Synergy Group” are to our Company and our subsidiaries taken as a whole. Unless the context otherwise requires, references to “Management” are to our Directors and key senior management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to “you” are to our prospective investors.

In this Prospectus, references to the “Government” are to the Government of Malaysia; and references to “RM” and “sen” are to the lawful currency of Malaysia. Any discrepancies in the tables included in this Prospectus between the amounts listed and the total thereof are due to rounding. Other abbreviations and acronyms used herein are defined in the “Definitions” section and technical terms used herein are defined in the “Glossary of Technical Terms” section. Words denoting the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include natural persons, firms, companies, bodies corporate and corporations.

References to the provisions of the statutes, rules and regulations, enactments, guidelines or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments, guidelines or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactments to the statutes, rules, regulations, enactments, guidelines or rules of stock exchange for the time being in force.

All reference to dates and times are references to dates and times in Malaysia unless otherwise stated.

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performance of the industry on which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where there is no source stated, it can be assumed that the information originates from us or is extracted from the Independent Market Research Report prepared by Smith Zander International Sdn Bhd which is included in Section 8 of this Prospectus. Smith Zander International Sdn Bhd has been appointed to provide an Independent Market Research Report. In compiling its data for the review, Smith Zander International Sdn Bhd had relied on its research methodology, industry sources, published materials, its own private databases and direct contacts within the industry. Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We cannot assure you that the projections will be achieved and you should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

If there are any discrepancies or inconsistencies between the English and Bahasa Malaysia versions of this document, the English version shall prevail.

The information on our website, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

All references to the “LPD” in this Prospectus are to 12 April 2023, which is the latest practicable date prior to the registration of this Prospectus with Bursa Securities.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, future plans and prospects, and objectives of our Group for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Group's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) our business strategies, trends and competitive position;
- (ii) our plans and objectives for future operations;
- (iii) our financial position;
- (iv) potential growth opportunities;
- (v) our future earnings, cash flow and liquidity;
- (vi) our ability to pay dividends; and
- (vii) the regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) the general economic, business, social, political and investment environment in Malaysia and globally;
- (ii) government policy, legislation and regulation;
- (iii) interest rates, tax rates and exchange rates;
- (iv) the competitive environment in the industry in which we operate;
- (v) reliance on approvals, licences and permits;
- (vi) availability and fluctuations in prices of raw materials;
- (vii) fixed and contingent obligations and commitments; and
- (viii) any other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 8 of this Prospectus on "Risk Factors" and Section 12 of this Prospectus on "Management's Discussion and Analysis of Financial Condition and Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

FORWARD-LOOKING STATEMENTS (CONT'D)

Should we become aware of any subsequent material change or development affecting matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of our IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMAA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the definitions are defined otherwise or the context requires otherwise:

COMPANIES WITHIN OUR GROUP:

Company or Synergy	: Synergy House Berhad (Registration No.: 202101025778 (1426078-V))
Group	: Collectively, Company, SH Furniture, SH International and SK Furniture Industries
SH Furniture	: Synergy House Furniture Sdn Bhd (Registration No.: 199001010074 (201646-K))
SH International	: Synergy House International Sdn Bhd (Registration No.: 200601008985 (728735-V))
SK Furniture Industries	: Sunny & Ker Furniture Industries Sdn Bhd (Registration No.: 200401037947 (676458-D))

GENERAL:

ACE Market	: ACE Market of Bursa Securities
Act	: Companies Act 2016, including amendments from time to time and any re-enactment thereof
Acquisitions	: Acquisitions by our Company of the following: <ul style="list-style-type: none"> (i) the entire issued share capital of SH Furniture; (ii) the entire issued share capital of SK Furniture Industries; and (iii) the entire issued share capital of SH International, as further described in Section 6.3 of this Prospectus
ADA	: Authorised Depository Agent, a person appointed by Bursa Depository under the Rules of Bursa Depository
ADA Code	: ADA (Broker) Code
Application	: Application for our IPO Shares by way of Application Form, the Electronic Share Application or the Internet Share Application
Application Form(s)	: Printed application form for the application of our IPO Shares accompanying this Prospectus
ATM	: Automated Teller Machine
Authorised Financial Institution	: Authorised financial institution participating in the Internet Share Application with respect to payments for our IPO Shares
B2B	: Business-to-business is a sales model whereby our home furniture are sold in bulk based on purchase orders to online retailers, chain-store retailers and wholesalers which will then be sold onwards to their customers.

DEFINITIONS (CONT'D)

B2C	: Business-to-consumer is a sales model whereby our home furniture are sold to end-consumers directly through our in-house online store at <i>www.synergytomato.com</i> and third party e-commerce platforms including Lazada, Shopee, Customer C Group's e-commerce platforms and Amazon. Orders for our products are placed by end-consumers and are paid through payment gateways of our in-house online store or the respective third party e-commerce platforms.
BDR	: Bank's discount rate
BFR	: Base financing rate
BLR	: Base lending rate
Board	: Board of Directors of our Company
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
CAGR	: Compound annual growth rate
Camden Concept	: Camden Concept Sdn Bhd (<i>formerly known as Synergy House Concept Sdn Bhd</i>) (Registration No.: 201201009115 (982635-W))
CCC	: Certificate of completion and compliance
CDS	: Central Depository System
CDS Account(s)	: An account established by Bursa Depository for a depositor for the recording of deposits or securities and for dealings in such securities by the Depositor
CF	: Certificate of fitness for occupation
CMSA	: Capital Markets and Services Act 2007, including amendments from time to time and any re-enactment thereof
COF	: Cost of funds
Constitution	: Constitution of our Company
COVID-19	: Coronavirus disease 2019
Crowe Malaysia	: Crowe Malaysia PLT 201906000005 (LLP0018817-LCA) & AF1018, our Auditors and Reporting Accountants

DEFINITIONS (CONT'D)

Customer C Group	: Customer C Group refers to a group of companies which is principally involved in the retail of furniture and home goods online including the operations of e-commerce platforms to retail these products as well as the operations of e-commerce fulfilment centres to store and fulfil customer orders placed on Customer C Group's e-commerce platforms. The holding company of Customer C Group is a public listed company incorporated in the USA and listed on the New York Stock Exchange. Attempts to obtain Customer C Group's consent to disclose its information in the Prospectus were unsuccessful. As such, Customer C Group's name has not been disclosed.
	We sell our home furniture to B2C customers (i.e. end-consumers) in the USA, Canada and the UK through Customer C Group's e-commerce platforms in the USA, Canada and the UK where Customer C Group is the intermediary that we bill our invoices to.
D&D	: Design and development
Depositor	: A holder of a CDS Account
Designated Third Party Manufacturer's Premises	: One of our third party manufacturers' premises in Malaysia which we have designated to store our inventory and serve as an e-commerce fulfilment centre supporting our local B2C sales transacted through third party e-commerce platforms (e.g. Lazada and Shopee) and our in-house online store at <i>www.synergytomato.com</i>
Director(s)	: Director(s) of our Company
EBIT	: Earnings before interest and taxes
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	: A copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or an electronic storage medium, including but not limited to CD-ROMs (<i>company disc read-only memory</i>)
Electronic Share Application	: Application for our IPO Shares under the Public Issue through a Participating Financial Institution's ATM
Eligible Person(s)	: Directors and employees of our Group and persons who have contributed to the success of our Group who are eligible to participate in the Public Issue
EPF	: Employees Provident Fund
EPS	: Earnings per Share
Equity Guidelines	: Equity Guidelines issued by the SC
Financial Years Under Review	: FYEs 31 December 2019, 31 December 2020, 31 December 2021 and FYE 31 December 2022
FYE	: Financial year ended/ending, as the case may be
Government	: Government of Malaysia
GP	: Gross profit

DEFINITIONS (CONT'D)

H.S.(D)	:	Hakmilik Sementara Pendaftar
H.S.(M)	:	Hakmilik Sementara Pejabat Tanah
IFRS	:	International Financial Reporting Standards
IMR Report	:	Independent Market Research Report titled *Independent Market Research Report on the Furniture Industry in Malaysia and Global Furniture Market* prepared by Smith Zander
Internet Participating Financial Institution(s)	:	Participating financial institution(s) for the Internet Share Applications
Internet Share Application	:	Application for our IPO Shares under the Public Issue through an Internet Participating Financial Institution
IPO	:	Collectively, our initial public offering comprising the Public Issue and Offer for Sale
IPO Price	:	RM0.43 per IPO Share, being the price payable by investors under the Public Issue and Offer for Sale
IPO Share(s)	:	Collectively, the Issue Shares and Offer Shares
Issue Share(s)	:	The 80,000,000 new Synergy Shares, to be issued pursuant to the Public Issue
Issuing House and Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
IT	:	Information technology
Key Senior Management	:	Key senior management personnel of our Group comprising Tan Eu Tah, Teh Yee Luen, Ng Boon Kean Kenneth and Tan Yee Chi
KIBB or Kenanga IB or Principal Adviser or Sponsor or Underwriter or Placement Agent	:	Kenanga Investment Bank Berhad (Registration No.: 197301002193 (15678-H))
Listing	:	Admission to the Official List and the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	12 April 2023, being the latest practicable date prior to the registration of this Prospectus with Bursa Securities
Malaysian Public	:	Citizens of Malaysia and companies, societies and institutions incorporated or organised under the laws of Malaysia
Market Day	:	Any day between Mondays and Fridays (both days inclusive) which is not a public holiday and a day on which Bursa Securities is open for trading of securities
MCO	:	Movement control order
MD&A	:	Management discussion and analysis

DEFINITIONS (CONT'D)

MFRS	:	Malaysian Financial Reporting Standards, as issued by the Malaysian Accounting Standards Board
MITI	:	The Ministry of International Trade and Industry
NA	:	Net assets
NBV	:	Net book value
NTA	:	Net tangible assets
Offer for Sale	:	The invitation by the Offeror to selected investors approved by the MITI to purchase the Offer Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
Offer Shares	:	The 50,000,000 Shares, which are the subject of the Offer for Sale
Offeror or Selling Shareholder	:	SH Holdings being the offeror or selling shareholder of all of the Offer Shares
Official List	:	A list specifying all securities which have been admitted for listing which have not been removed from the ACE Market
Participating Financial Institutions(s)	:	Participating financial institution(s) for the Electronic Share Application
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
Pink Form Shares	:	The allocation of 12,500,000 Issue Shares to the Eligible Persons pursuant to the Public Issue
Promoters or Specified Shareholders	:	Collectively, SH Holdings, Tan Eu Tah and Teh Yee Luen
Prospectus	:	This prospectus dated 12 May 2023
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
Public Issue	:	The public issue of 80,000,000 Issue Shares at the IPO Price in the following manner: <ul style="list-style-type: none"> (a) 25,000,000 new Synergy Shares available for application by the Malaysian Public; (b) 12,500,000 new Synergy Shares available for application by Eligible Persons; (c) 30,000,000 new Synergy Shares available by way of private placement to selected investors; and (d) 12,500,000 new Synergy Shares available by way of private placement to selected Bumiputera investors approved by the MITI.

DEFINITIONS (CONT'D)

QC	: Quality control
Record of Depositors	: A record provided by Bursa Depository to the Company under Chapter 34 of the Rules of Bursa Depository
Rules of Bursa Depository	: Rules of Bursa Depository as issued pursuant to the SICDA
SAC	: Shariah Advisory Council of the SC
SC	: Securities Commission Malaysia
Share(s) or Synergy Share(s)	: Ordinary share(s) in our Company
SH Holdings	: Synergy House Furniture Holdings Sdn Bhd (Registration No.: 201901045000 (1354330-K))
SICDA	: Securities Industry (Central Depositories) Act, 1991 including amendments from time to time and any re-enactment thereof
Smith Zander or IMR	: Smith Zander International Sdn Bhd (Registration No.: 201301028298 (1058128-V)), the independent market researcher
SOCISO	: Social security organisation
SOP	: Standard Operating Procedures
Southampton Property	: Southampton Property Sdn Bhd (<i>formerly known as Synergy House Properties Sdn Bhd</i>) (Registration No.: 201101042258 (970378-P))
sq. ft.	: Square feet
SSA	: Conditional shares sale agreement dated 6 December 2021 entered into between the Company and SH Holdings for the Acquisitions as supplemented by the Supplemental SSA
Subsidiaries	: Collectively, SH Furniture, SK Furniture Industries and SH International
Supplemental SSA	: First supplemental agreement to the SSA dated 25 May 2022 entered into between the Company and SH Holdings
UK	: United Kingdom
USA	: United States of America
Underwriting Agreement	: The underwriting agreement dated 9 March 2023 entered into between our Company and KIBB for the underwriting of up to 37,500,000 Issue Shares under the Public Issue as supplemented by a variation letter dated 26 April 2023
WAFEX	: Weighted average foreign exchange rates
<u>Currencies and units</u>	
RM and sen	: Ringgit Malaysia and sen, the lawful currency of Malaysia
%	: Per centum

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanation of certain terms used in this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings or usage of those terms:

Computer-aided design (“CAD”)	:	A technological software used to create two dimensional (2D) or three dimensional (3D) models, used in the prototyping of furniture
Computer numerical control (“CNC”) drilling machine	:	A machine executed and/or commanded by computer software to perform tasks in high precision such as drilling
Edge banding	:	A thin material used for sealing the exposed and raw edges of a wooden board
Medium-density fibreboard	:	A wood panel product composed of wood fibres combined with resin and wax under heat and pressure
Ornament	:	An article or an object used as a decoration to embellish furniture
Pallet	:	A portable, rigid and flat platform on which goods can be placed, stacked, stored and transported. A pallet supports and stabilises goods while they are being lifted by a fork lift, pallet jack or other lifting tools
Particle board	:	A low density wood panel product made from wood chips bound with synthetic resin or other suitable binder
Plywood	:	A wood panel product made from thin layers of wooden board that are glued and pressed together
Racking system	:	A storage solution with metal structures formed into shelves or racks to hold and store goods in a warehouse or industrial facility
Ready-to-assemble (“RTA”) home furniture	:	A form of furniture where furniture parts are in flat-packed form for ease of storage and transportation and it requires end-users to assemble themselves upon purchase
Shelf loading capacity test	:	A test to measure the maximum load that can be handled or sustained by a shelf

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (Designation)	Address	Nationality	Gender
Mok Juan Chek <i>(Independent Non-Executive Chairman)</i>	No. 16, Jalan VK 4 Taman Vista Kirana 75450 Ayer Keroh Melaka	Malaysian	Male
Tan Eu Tah <i>(Non-Independent Executive Director)</i>	4, Jalan Firus Empat 7/7D Seksyen 7 40000 Shah Alam Selangor	Malaysian	Male
Teh Yee Luen <i>(Non-Independent Executive Director)</i>	No. 15, Jalan Karnelin 7/8 Seksyen 7 40000 Shah Alam Selangor	Malaysian	Male
Yew Yong Ling <i>(Independent Non-Executive Director)</i>	No. 10, Jalan USJ 17/15 USJ 17 47630 Subang Jaya Selangor	Malaysian	Female
Lieu Pei Yee <i>(Independent Non-Executive Director)</i>	B1707, Riverville Residences Jalan Taman Seri Sentosa Taman Sri Sentosa 58200 Kuala Lumpur W.P. Kuala Lumpur	Malaysian	Female
Yong Kim Fui <i>(Independent Non-Executive Director)</i>	48, Jalan K7 Taman Melawati 53100 Kuala Lumpur W.P. Kuala Lumpur	Malaysian	Male

AUDIT COMMITTEE

Name	Designation	Directorship
Yong Kim Fui	Chairman	Independent Non-Executive Director
Yew Yong Ling	Member	Independent Non-Executive Director
Lieu Pei Yee	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (CONT'D)

RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Yong Kim Fui	Chairman	Independent Non-Executive Director
Yew Yong Ling	Member	Independent Non-Executive Director
Lieu Pei Yee	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Yew Yong Ling	Chairman	Independent Non-Executive Director
Yong Kim Fui	Member	Independent Non-Executive Director
Lieu Pei Yee	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Lieu Pei Yee	Chairman	Independent Non-Executive Director
Yew Yong Ling	Member	Independent Non-Executive Director
Yong Kim Fui	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (CONT'D)

- COMPANY SECRETARIES** :
- Wong Wai Foong
(MAICSA 7001358)
CCM Practicing Certificate No. 202008001472
(Company Secretary, Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators ("MAICSA"))
 - Fong Seah Lih
(MAICSA 7062297)
CCM Practicing Certificate No. 202008000973
(Company Secretary, Associate Member of MAICSA)
 - Tham Yin Tong
(MAICSA 7049718)
CCM Practicing Certificate No. 202008001314
(Company Secretary, Associate Member of MAICSA)
- Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
W.P. Kuala Lumpur
Malaysia
- Telephone No. : (603) 2783 9191
Facsimile No. : (603) 2783 9111
- REGISTERED OFFICE** :
- Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
W.P. Kuala Lumpur
Malaysia
- Telephone No. : (603) 2783 9191
Facsimile No. : (603) 2783 9111
- HEAD OFFICE / PRINCIPAL PLACE OF BUSINESS** :
- Lot 18.A & 18.B & Lot 19.A, Level 18 & 19
Top Glove Tower
No. 16, Persiaran Setia Dagang
Bandar Setia Alam, Seksyen U13
40170 Shah Alam
Selangor
- Telephone No. : (6017) 366 3426
Email : info@synergy-house.com
Website : synergyhouseberhad.com
synergytomato.com

1. CORPORATE DIRECTORY (CONT'D)

PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	Kenanga Investment Bank Berhad Level 17, Kenanga Tower 237, Jalan Tun Razak 50400 Kuala Lumpur Wilayah Persekutuan Malaysia
	Telephone No.	: (603) 2172 2888
	Facsimile No.	: (603) 2172 2999
AUDITORS AND REPORTING ACCOUNTANTS	:	Crowe Malaysia PLT 201906000005 (LLP0018817-LCA) & AF 1018 8, Jalan Pesta 1/1 Taman Tun Dr. Ismail 1 Jalan Bakri 84000 Muar, Johor Malaysia
	Telephone No.	: (606) 9524 328
	Facsimile No.	: (606) 9527 328
	Partner-in-charge	: Gan Hwee Ling
	Qualification	: 1. Member of Malaysian Institute of Accountant (MIA Member No.: 39797)
		2. Bachelor of Accounting (Hons) Universiti Tenaga Nasional
SOLICITORS	:	Cheang & Ariff 273A, Jalan Medan Tuanku 50300 Kuala Lumpur Malaysia
	Telephone No.	: (603) 2691 0803
	Facsimile No.	: (603) 2693 4475
INDEPENDENT RESEARCHER	MARKET :	Smith Zander International Sdn Bhd 15-01, Level 15, Menara MBMR 1, Jalan Syed Putra 58000 Kuala Lumpur Malaysia
	Telephone No.	: (603) 2732 7537
	Partner-in-charge	: Dennis Tan Tze Wen
	Qualification	: Bachelor of Science Memorial University of Newfoundland, Canada

1. CORPORATE DIRECTORY (CONT'D)

ISSUING HOUSE AND SHARE REGISTRAR : Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Telephone No. : (603) 2783 9299

LISTING SOUGHT : ACE Market of Bursa Securities

SHARIAH STATUS : Approved by the SAC

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2. APPROVALS AND CONDITIONS

2.1 BURSA SECURITIES

Bursa Securities had, vide its letter dated 8 December 2022, approved:

- (i) the admission of our Company to the Official List; and
- (ii) the listing of and quotation for our entire enlarged issued share capital on the ACE Market.

The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(1)	To submit the following information in respect of the moratorium on the shareholdings of Promoters to Bursa Depository:	To be complied
	(i) Name of shareholders;	
	(ii) Number of Shares; and	
	(iii) Date of expiry of the moratorium for each block of Shares;	
(2)	Confirmation that approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied
(3)	The Bumiputera equity requirements for public listed companies as approved/exempted by the SC including any conditions imposed thereon;	Complied
(4)	To make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements;	To be complied
(5)	To furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Synergy on the first day of Listing;	To be complied
(6)	In relation to the public offering to be undertaken by Synergy, to announce at least 2 market days prior to the Listing date, the result of the offering including the following:	To be complied
	(i) Level of subscription of public balloting and placement;	
	(ii) Basis of allotment/allocation;	
	(iii) A table showing the distribution for placement tranche as per the prescribed format by Bursa Securities; and	
	(iv) Disclosure of placees who become substantial shareholders of Synergy arising from the public offering, if any;	
	The overall distribution of the Company's securities should be properly carried out to mitigate any disorderly trading in the secondary market; and	
(7)	Synergy/Kenanga IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Synergy to the Official List.	To be complied

2. APPROVALS AND CONDITIONS (CONT'D)

2.2 SC

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated 12 December 2022, approved our application for the resultant equity structure of our Company under the equity requirements for public listed companies pursuant to our Listing, subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(1)	Synergy is to allocate shares equivalent to 12.5% of its enlarged number of issued shares at the point of Listing to Bumiputera investors to be approved by the MITI; and	To be complied
(2)	Synergy is to make available at least 50% of the Shares offered to the Malaysia public investors via balloting to Bumiputera public investors at the point of Listing.	To be complied

The effects of our Listing on the equity structure of our Company are as follows:

Category of shareholders	As at 31 May 2022 ⁽¹⁾		After the Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Bumiputera investors approved by the MITI	-	-	⁽²⁾ 62,500,000	12.5
- Bumiputera public investors via balloting	-	-	⁽²⁾ 12,500,000	2.5
Total Bumiputera	-	-	75,000,000	15.0
Non-Bumiputera	2	100.0	425,000,000	85.0
Malaysians	2	100.0	500,000,000	100.0
Foreigners	-	-	-	-
Total	2	100.0	500,000,000	100.0

Notes:

- (1) Being the latest practicable date, prior to the submission of our Listing application to the SC.
- (2) Based on the assumption that the shares allocated to Bumiputera investors approved by the MITI and Bumiputera public investors via balloting are fully subscribed.

2.3 MITI

The MITI had, vide its letter dated 28 September 2022, agreed to take note of and has no objection to our Listing.

2.4 SAC

The SAC had, vide its letter dated 14 April 2023, classified our securities as Shariah-compliant based on our audited combined financial statements for the FYE 31 December 2022.

2. APPROVALS AND CONDITIONS (CONT'D)

2.5 MORATORIUM ON SALE OF SHARES

In compliance with Rule 3.19 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Specified Shareholders as follows:

- (i) the moratorium applies to our Specified Shareholders' entire shareholding for a period of 6 months from the date of our admission to the ACE Market ("**First 6-Month Moratorium**");
- (ii) upon the expiry of the First 6-Month Moratorium, our Specified Shareholders' aggregate shareholding amounting to at least 45.0% of our enlarged issued share capital remain under moratorium for a further 6 months ("**Second 6-Month Moratorium**"); and
- (iii) upon the expiry of the Second 6-Month Moratorium, our Specified Shareholder may sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight-line basis) of their Shares held under moratorium.

As Specified Shareholder, the Shares held by SH Holdings will be subject to moratorium as follows:

Name	First 6-Month Moratorium		Second 6-Month Moratorium	
	No. of Shares held	% of enlarged issued share capital ⁽¹⁾	No. of Shares held	% of enlarged issued share capital ⁽¹⁾
SH Holdings	370,000,000	74.00	225,000,000	45.00
Total	370,000,000	74.00	225,000,000	45.00

Note:

(1) Based on the enlarged issued share capital of 500,000,000 Shares after our IPO.

SH Holdings has furnished a letter of undertaking to Bursa Securities that it will not sell, transfer or assign any part of their interest in the Shares during the moratorium period. In addition, the shareholders of SH Holdings namely, Tan Eu Tah and Teh Yee Luen have each furnished a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in SH Holdings during the moratorium period.

The above moratorium restriction is specifically endorsed on the share certificates representing the Shares held by SH Holdings which is under moratorium to ensure that our Share Registrar does not register any sale, transfer or assignment that contravenes the aforesaid restriction.

3. PROSPECTUS SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

3.1 PRINCIPAL DETAILS OF OUR IPO

Our IPO entails an offering of 130,000,000 IPO Shares at an IPO Price of RM0.43 per IPO Share.

In summary, our IPO Shares will be allocated in the following manner, as set out in Section 4.3 of this Prospectus:

	Issue Shares		Offer Shares		Total	
	No. of Shares	(1) %	No. of Shares	(1) %	No. of Shares	(1) %
Retail offering						
- Malaysian Public (via balloting)	25,000,000	5.00	-	-	25,000,000	5.00
- Eligible Persons	12,500,000	2.50	-	-	12,500,000	2.50
Private placement						
- Selected investors	30,000,000	6.00	-	-	30,000,000	6.00
- Bumiputera investors approved by the MITI	12,500,000	2.50	50,000,000	10.00	62,500,000	12.50
-						
Total	80,000,000	16.00	50,000,000	10.00	130,000,000	26.00

Note:

(1) Based on the enlarged issued share capital of 500,000,000 Shares after our IPO.

Enlarged total number of Shares upon Listing	500,000,000
IPO Price per Share	RM0.43
Market capitalisation upon Listing (calculated based on the IPO Price and the enlarged total number of 500,000,000 Shares upon Listing)	RM215,000,000
Total gross proceeds to be raised by our Company from the Public Issue	RM34,400,000
Total gross proceeds to be raised by our Selling Shareholders from the Offer for Sale	RM21,500,000

Please refer to Section 4 of this Prospectus for further details of our IPO.

A moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Specified Shareholder. Further information on moratorium restrictions is disclosed under Section 2.4 of this Prospectus.

3.2 BACKGROUND INFORMATION OF OUR GROUP AND BUSINESS OPERATIONS

Our Company was incorporated in Malaysia on 3 August 2021 under the Act as a private company limited by shares under the name of Synergy House Sdn Bhd and was subsequently converted into a public company on 21 December 2021.

We are an investment holding company and through our Subsidiaries, we are principally involved in the design, development and sale of RTA home furniture.

3. PROSPECTUS SUMMARY (CONT'D)

Our business operations are based in Malaysia and our products are sold locally and exported overseas. Please refer to Section 7.2.4 of this Prospectus for further details.

A summary of our Group's business model is set out below:

- (i) We sell our RTA home furniture to online retailers, chain-store retailers and wholesalers via a B2B sales model, as well as directly to end-consumers through our in-house online store and third party e-commerce platforms via a B2C sales model.
- (ii) As we focus on the design, development and sale of RTA home furniture, we do not manufacture our home furniture, and we outsource all manufacturing works of our home furniture to third party manufacturers where they are responsible for purchasing raw materials, manufacturing and packaging of our home furniture in accordance to our designs, specifications and requirements.
- (iii) Our home furniture sold via B2B sales model are branded under third party brand names whereas home furniture sold via B2C sales model can either be branded under our in-house brand names or third party brand names.
- (iv) Our home furniture are widely sold and marketed online whereby our home furniture sold to online retailers under our B2B sales model are subsequently sold to end-consumers through their respective e-commerce platforms.
- (v) Further, chain-store retailers will mainly sell our home furniture to end-consumers in physical stores, and/or through e-commerce platforms if established whereas home furniture sold to wholesalers may be distributed to retailers for onward sales to end-consumers.

Further details on our business model are set out in Section 7.2 of this Prospectus.

A summary of our Group's breakdown of revenue by geographical market for the Financial Years Under Review is set out below:

Geographical market	FYE 31 December 2019		FYE 31 December 2020		FYE 31 December 2021		FYE 31 December 2022	
	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
Overseas								
UK	89,190	80.00	91,280	74.28	77,993	42.32	82,287	42.40
United Arab Emirates	12,137	10.89	14,569	11.86	27,645	15.00	22,557	11.62
USA	1,614	1.45	8,960	7.29	63,918	34.68	75,724	39.01
Others ⁽¹⁾	6,551	5.87	3,801	3.09	4,355	2.37	3,170	1.63
Subtotal	109,492	98.21	118,610	96.52	173,911	94.37	183,738	94.66
Malaysia	1,990	1.79	4,281	3.48	10,381	5.63	10,355	5.34
Total revenue	111,482	100.00	122,891	100.00	184,292	100.00	194,093	100.00

Notes:

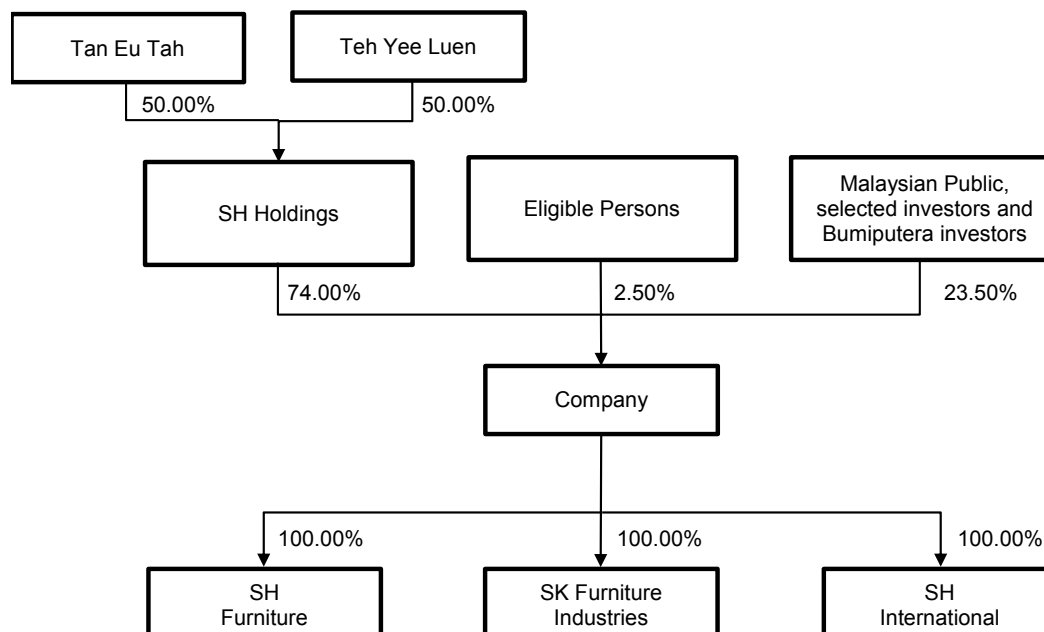
(1) Others comprising of Ireland, Australia, Canada and Asian countries, i.e., Indonesia, India, Thailand, Singapore and Lebanon.

- The classifications of our Group's revenue by geographical market are based on the locations of our Group's customers.

3. PROSPECTUS SUMMARY (CONT'D)

Further details of our Group's breakdown of revenue for the Financial Years Under Review are set out in Section 7.6 of this Prospectus.

Our Group structure upon Listing is as follows:



Further details of our Group are set out in Section 6 of this Prospectus.

3.3 COMPETITIVE STRENGTHS

A summary of our Group's competitive strengths is set out below:

- (i) Our business model enables us to focus on product development and sales and marketing.
- (ii) Our design capabilities allow us to consistently launch new home furniture designs to suit the latest market trends and consumer preferences.
- (iii) We operate a B2C sales model as one of our sales channels, making us well-positioned to capitalise on the growing global furniture e-commerce market.
- (iv) We have an established industry network and long term relationships with our customers and suppliers.
- (v) We have an experienced and hands-on Key Senior Management team.

Further details of our competitive strengths are set out in Section 7.3 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.4 BUSINESS STRATEGIES AND PROSPECTS

A summary of our Group's business strategies and prospects is set out below:

- (i) We intend to continue growing our B2C sales segment with the following strategies:
 - (a) expansion of our customer reach through listing and selling our products on more third party e-commerce platforms with new market focus;
 - (b) enhancement of our revenue through advertisement and promotions;
 - (c) establishment of new warehouses in Muar, Johor in 2023 and Port Klang, Selangor in 2027 respectively as our e-commerce fulfilment centres;
 - (d) purchase of inventories for third party e-commerce fulfilment centres in overseas countries and proposed new warehouse in Muar, Johor in anticipation of increasing B2C sales; and
- (ii) We will continue to expand our range of home furniture through continuous D&D efforts.

Further details of our business strategies and prospects, and the IMR report are set out in Sections 7.19 and 8 of this Prospectus respectively.

3.5 RISK FACTORS

Our business is subject to a number of risk factors, many of which may have a material adverse impact on our business operations, financial position and performance. A summary of the key risk factors is set out below:

- (i) We are exposed to foreign exchange fluctuation risks which may impact our revenue and purchases.
- (ii) We are dependent on 2 of our major customers who contribute substantially to our revenue.
- (iii) Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations.
- (iv) We are dependent on third party manufacturers for the manufacturing of our home furniture.
- (v) We are subject to regulatory requirements for our business operations.
- (vi) Our business and operations are exposed to sudden disruptions caused by severe disease outbreaks such as the COVID-19 pandemic.
- (vii) Our business may be affected by evolving market trends and consumer preferences on home furniture designs.
- (viii) We are dependent on our Executive Directors and Key Senior Management for the future growth and continuing success of our business.
- (ix) We may not be able to successfully implement our business strategies.
- (x) We are subject to credit risk and default payment by our customers.

3. PROSPECTUS SUMMARY (CONT'D)

- (xi) The absence of long term contracts with customers may result in the fluctuation of our Group's financial performance.
- (xii) We may be adversely affected by product defects caused by our third party manufacturers or logistic service providers, which may lead to product liability claims.
- (xiii) Our warehouse is subject to regulatory requirements imposed by the Fire and Rescue Department of Malaysia for which the past non-compliance may expose us to penalties and other costs.

Further details on the full list of risk factors are set out in Section 9 of this Prospectus which should be considered before investing in our Shares.

3.6 IMPACT OF COVID-19

On 11 March 2020, the COVID-19 was declared a worldwide pandemic by the World Health Organization. In efforts to curb the spread of the COVID-19, precautionary measures were taken by government authorities around the world as well as by our third party manufacturers and customers which had consequently impacted our business and operations.

Pursuant to the implementation of Phase 1 of the National Recovery Plan ("NRP") by the Government on 1 June 2021 to curb the spread of COVID-19, our business and operations in Malaysia were affected by the movement restrictions imposed by the Government.

Further details on the impact of COVID-19 to our business and operations are set out in Section 7.17 of this Prospectus.

3.7 DIRECTORS AND KEY SENIOR MANAGEMENT OF OUR GROUP

As at the LPD, our Directors and Key Senior Management are as follows:

Name	Designation
<u>Directors</u>	
Mok Juan Chek	Independent Non-Executive Chairman
Tan Eu Tah	Non-Independent Executive Director
Teh Yee Luen	Non-Independent Executive Director
Yew Yong Ling	Independent Non-Executive Director
Lieu Pei Yee	Independent Non-Executive Director
Yong Kim Fui	Independent Non-Executive Director
<u>Key Senior Management</u>	
Tan Eu Tah	Non-Independent Executive Director
Teh Yee Luen	Non-Independent Executive Director
Ng Boon Kean Kenneth	Group Accountant
Tan Yee Chi	Marketing Director

Further details of our Directors and Key Senior Management are set out in Sections 5.2 and 5.4 of this Prospectus respectively.

3. PROSPECTUS SUMMARY (CONT'D)

3.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS OF OUR GROUP

The details of our Promoters and/or substantial shareholders and their respective shareholdings in our Company before our IPO and after our IPO are as follows:

Name	Nationality / Country of incorporation	Before our IPO ⁽¹⁾				After our IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Promoters and substantial shareholders									
Tan Eu Tah	Malaysian	-	-	⁽³⁾ 420,000,000	100	-	-	⁽³⁾ 370,000,000	74.00
Teh Yee Luen	Malaysian	-	-	⁽³⁾ 420,000,000	100	-	-	⁽³⁾ 370,000,000	74.00
SH Holdings	Malaysia	420,000,000	100	-	-	370,000,000	74.00	-	-

Notes:

(1) Based on the issued share capital of 420,000,000 Shares after the completion of the Acquisitions, and before our IPO.

(2) Based on the enlarged issued share capital of 500,000,000 Shares after our IPO.

(3) Deemed interested by virtue of his direct shareholdings in SH Holdings pursuant to Section 8 of the Act.

Further details of our Promoters and substantial shareholders and their shareholdings in our Company as well as moratorium imposed on their Shares are set out in Sections 5.1 and 2.4 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.9 USE OF PROCEEDS

Based on the IPO Price of RM0.43, the total gross proceeds of RM34,400,000 from the Public Issue will be used by our Group in the following manner:

Description of use	Amount of proceeds		Estimated timeframe for use upon Listing
	(RM'000)	%	
E-commerce fulfilment centres in Muar, Johor and overseas countries			
- Purchase of inventories	10,000	29.07	Within 18 months
E-commerce fulfilment centre in Muar, Johor			
- Purchase of racking system and forklifts	1,500	4.36	Within 18 months
E-commerce advertising and promotions	1,000	2.91	Within 18 months
Repayment of borrowings	10,000	29.07	Within 6 months
Working capital	7,700	22.38	Within 12 months
Estimated listing expenses	4,200	12.21	Within 1 month
Total Public Issue proceeds	34,400	100.00	

There is no minimum subscription to be raised from our IPO. Our Company will not receive any proceeds from the Offer for Sale.

Further details on the utilisation of proceeds are set out in Section 4.7 of this Prospectus.

3.10 FINANCIAL HIGHLIGHTS

The following table sets out a summary of the combined financial information of our Group for the Financial Years Under Review.

Combined statements of profit or loss and other comprehensive income	Audited			
	FYE 31 December 2019 RM'000	FYE 31 December 2020 RM'000	FYE 31 December 2021 RM'000	FYE 31 December 2022 RM'000
Revenue	111,482	122,891	184,292	194,093
GP	21,839	26,466	36,800	46,360
Profit from operations	16,131	18,642	21,565	26,798
PBT	14,113	16,713	19,226	23,399
PAT attributable to:				
- Owners of the Company	10,895	12,107	14,387	16,624

3. PROSPECTUS SUMMARY (CONT'D)

Combined statements of cash flows	Audited			
	FYE 31 December 2019	FYE 31 December 2020	FYE 31 December 2021	FYE 31 December 2022
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	18,775	5,044	9,422	19,535
Net cash for investing activities	(1,368)	(14,560)	(12,977)	(14,650)
Net cash (for) / from financing activities	(6,060)	7,795	6,458	(3,594)
Net increase / (decrease) in cash and cash equivalents	11,347	(1,721)	2,903	1,291
Effects of foreign exchange translation	(87)	(145)	18	(428)
Cash and cash equivalents at beginning of the financial year	3,622	14,882	13,016	15,937
Cash and cash equivalents at end of the financial year	14,882	13,016	15,937	16,800
Other selected financial information				
EBITDA	16,695	19,190	22,677	28,350
GP margin (%)	19.59	21.54	19.97	23.89
PBT margin (%)	12.66	13.60	10.43	12.06
PAT margin (%)	9.77	9.85	7.81	8.56

Further details of our Group's financial information are set out in Section 12 of this Prospectus.

3.11 DIVIDEND POLICY

Our Group presently does not have a fixed dividend policy. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profit recorded and excess of funds not required to be retained for working capital of our business.

Further details of our dividend policy are set out in Section 12.15 of this Prospectus.

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4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATIONS

Application for our IPO Shares will open at 10.00 a.m. on 12 May 2023 and will remain open until 5.00 p.m. on 18 May 2023.

Late Applications will not be accepted.

4.2 INDICATIVE TIMETABLE

An indicative timetable of our IPO is set out below:

Event	Indicative Dates
Opening of Application for our IPO	10:00 a.m., 12 May 2023
Closing of Application for our IPO	5:00 p.m., 18 May 2023
Balloting of Application	22 May 2023
Allotment of IPO Shares to successful applicants	30 May 2023
Date of Listing	1 June 2023

In the event there is any change to the timetable, we will advertise a notice of change in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia and will also announce it on Bursa Securities' website accordingly.

4.3 DETAILS OF OUR IPO

The Public Issue of 80,000,000 new Shares and Offer for Sale of 50,000,000 Shares are issued/offered at the IPO Price payable in full on Application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:

4.3.1 Public Issue

The Public Issue of 80,000,000 Shares at the IPO Price representing 16.00% of our enlarged issued share capital will be made available for Application in the following manner:

(i) Malaysian Public (via balloting)

25,000,000 Issue Shares, representing 5.00% of our enlarged issued share capital will be made available for Application by the Malaysian Public through a balloting process, of which 50.00% will be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) Eligible Persons

12,500,000 Issue Shares, representing 2.50% of our enlarged issued share capital will be made available for Application by the Eligible Persons.

4. DETAILS OF OUR IPO (CONT'D)

Details of the Pink Form Shares allocation to the Eligible Persons are as follows:

Eligible Persons	Number of persons	Pink Form Shares allocation
Directors ⁽¹⁾	4	500,000
Employees ⁽¹⁾	34	5,965,400
Persons who have contributed to the success of our Group ⁽²⁾	3	6,034,600
	Total	12,500,000

Notes:

(1) *The Pink Form Shares will be allocated to eligible Directors and employees of our Group based on the following criteria as approved by our Board:*

- (a) *the eligible employee must be a full time and confirmed employee of our Group;*
- (b) *the eligible employee must be on our Group's payroll;*
- (c) *seniority and position;*
- (d) *length of service;*
- (e) *past performance and respective contribution made to our Group; and*
- (f) *the eligible employee must be at least 18 years of age.*

The Directors and Key Senior Management who are entitled for the Pink Form Shares are as follows:

Name of Directors and Key Senior Management	Designation	No. of Shares
<i>Mok Juan Chek</i>	<i>Independent Non-Executive Chairman</i>	<i>125,000</i>
<i>Tan Eu Tah</i>	<i>Non-Independent Executive Director</i>	<i>-</i>
<i>Teh Yee Luen</i>	<i>Non-Independent Executive Director</i>	<i>-</i>
<i>Yew Yong Ling</i>	<i>Independent Non-Executive Director</i>	<i>125,000</i>
<i>Lieu Pei Yee</i>	<i>Independent Non- Executive Director</i>	<i>125,000</i>
<i>Yong Kim Fui</i>	<i>Independent Non- Executive Director</i>	<i>125,000</i>
<i>Ng Boon Kean Kenneth</i>	<i>Group Accountant</i>	<i>465,000</i>
<i>Tan Yee Chi</i>	<i>Marketing Director</i>	<i>465,000</i>
		1,430,000

4. DETAILS OF OUR IPO (CONT'D)

(2) *The criteria for allocation to persons who have contributed to the success of our Group, comprising amongst others, our suppliers and business associates, is based on, amongst others, their level of contributions to our Group and length of their respective relationships with our Group.*

Save for the allocation made available for Application as disclosed in Section 4.3.1(ii) of this Prospectus, to the extent known to our Company, our Company is not aware as to whether any of our Directors or Key Senior Management have the intention to subscribe for our IPO Shares allocated under Section 4.3.1(i) of this Prospectus for the Malaysian Public. Our Company is also not aware as to whether there is any person intending to subscribe for more than 5.00% of our IPO Shares allocated under the Section 4.3.1(i) of this Prospectus for the Malaysian Public.

(iii) Private placement to selected investors

30,000,000 Issue Shares, representing 6.00% of our enlarged issued share capital will be made available by way of private placement to selected investors.

(iv) Private placement to Bumiputera investors approved by the MITI

12,500,000 Issue Shares, representing 2.50% of our enlarged issued share capital will be made available by way of private placement to Bumiputera investors approved by the MITI.

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4. DETAILS OF OUR IPO (CONT'D)

4.3.2 Offer for Sale

Concurrent with the Public Issue, the Offeror will offer 50,000,000 Offer Shares representing 10.00% of our enlarged issued share capital by way of private placement to Bumiputera investors approved by the MITI. The Offer Shares to be offered by the Offeror and its shareholdings in our Company before and after our IPO are as follows:

Name	Correspondence address	Material relationship with our Group	Shareholdings as at the LPD		Offer Shares offered		Shareholdings after our IPO		
			No. of Shares	(1) %	No. of Shares	(1) % Before IPO	(2) % After IPO	No. of Shares	(2) %
SH Holdings	Unit 30-01, Level 30, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur W.P. Kuala Lumpur Malaysia	Promoter and substantial shareholder	420,000,000	100.00	50,000,000	11.90	10.00	370,000,000	74.00
Total			<u>420,000,000</u>	<u>100.00</u>	<u>50,000,000</u>	<u>11.90</u>	<u>10.00</u>	<u>370,000,000</u>	<u>74.00</u>

Notes:

(1) Based on the issued share capital of 420,000,000 Shares after the completion of the Acquisitions, and before our IPO.

(2) Based on the enlarged issued share capital of 500,000,000 Shares after our IPO.

Upon completion of our IPO, our Company's entire enlarged issued share capital of RM67,419,002 comprising 500,000,000 Shares shall be listed on the ACE Market.

4. DETAILS OF OUR IPO (CONT'D)

4.3.3 Summary of underwriting arrangement and allocation of our IPO Shares

In summary, our IPO Shares will be allocated in the following manner:

	Issue Shares		Offer Shares		Total	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Retail Offering						
Malaysian Public (via balloting)	25,000,000	5.00	-	-	25,000,000	5.00
Eligible Persons	12,500,000	2.50	-	-	12,500,000	2.50
Private placement						
Selected investors	30,000,000	6.00	-	-	30,000,000	6.00
Bumiputera investors approved by the MITI	12,500,000	2.50	50,000,000	10.00	62,500,000	12.50
Total	80,000,000	16.00	50,000,000	10.00	130,000,000	26.00

The 25,000,000 Issue Shares made available for application by the Malaysian Public (via balloting) and the 12,500,000 Pink Form Shares made available to the Eligible Persons under Sections 4.3.1(i) and 4.3.1(ii) of this Prospectus respectively are fully underwritten by our Underwriter.

All the 92,500,000 IPO Shares made available to identified investors by way of private placement under Sections 4.3.1(iii) and 4.3.2 of this Prospectus are not underwritten. Irrevocable undertakings will be obtained from the identified investors to subscribe for our IPO Shares available under the private placement.

In the event there is an under-subscription of Issue Shares in respect of the allocation to private placement to selected investors, any unsubscribed Issue Shares will be made available for Application by the Malaysian Public.

Any unsubscribed Pink Form Shares will be re-offered to our Group's other Eligible Persons before being re-allocated to the Malaysian Public and/or identified investors by way of private placement. Any unsubscribed Issue Shares by the Malaysian Public will be made available for application by way of private placement to identified investors and vice versa.

The 62,500,000 IPO Shares made available for Application by Bumiputera investors approved by the MITI ("**MITI Tranche**") are not underwritten as these Offer Shares have been allocated to the MITI's approved Bumiputera investors whereby irrevocable undertakings from the Bumiputera investors have been or will be obtained.

In the event of an under-subscription of the MITI Tranche, the unsubscribed IPO Shares under the MITI Tranche shall be made available to other Malaysian institutional investors. If after the aforementioned reallocation, the MITI Tranche is still under-subscribed, any of the IPO Shares that are not taken up shall be firstly allocated to the over-subscribed portion of the Bumiputera public under the retail offering, if any, and any balance remaining shall be made available for Application by the non-Bumiputera public under the retail offering and/or private placement to selected investors.

4. DETAILS OF OUR IPO (CONT'D)

The allocation of our IPO Shares shall be on a fair and equitable manner and shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view:

- (i) to broaden our Company's shareholding base to meet the public shareholding spread requirements of Bursa Securities; and
- (ii) to establish a liquid market for our Shares.

There is no minimum subscription amount to be raised from our IPO. All our IPO Shares are either subscribed by the Malaysian Public, Eligible Persons and/or identified investors, pursuant to their irrevocable undertakings or fully underwritten by our Underwriter. The number of IPO Shares offered under the Public Issue will not be increased via any over-allotment or "greenshoe" option.

The salient terms of the underwriting arrangement are set out in Section 4.9 of this Prospectus.

4.3.4 Minimum Subscription

There is no minimum level of proceeds to be raised by us under our IPO. However, in order to comply with the public spread requirements of the Listing Requirements or as approved by Bursa Securities, the minimum subscription level will be the number of Shares required to be held by public shareholders.

4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

As at the LPD, the issued share capital for our Company is RM34,398,002 comprising 420,000,000 Shares. Upon completion of our IPO, the enlarged issued share capital of our Company will be RM67,419,002 comprising 500,000,000 Shares as follows:

Details	No. of Shares	RM
Total number of Shares as at the date of this Prospectus	420,000,000	34,398,002
New Shares to be issued pursuant to the Public Issue	80,000,000	34,400,000
Less: Estimated listing expenses directly attributable to the Public Issue		(1)1,379,000
Enlarged total number of Shares upon Listing	500,000,000	67,419,002
Offer for Sale	50,000,000	21,500,000
IPO Price		0.43
Pro forma NA per Share as at 31 December 2022 after our Acquisitions, Public Issue and the intended use of proceeds		(2)0.15
Market capitalisation upon Listing based on our IPO Price and the enlarged total number of 500,000,000 Shares after our IPO		215,000,000

4. DETAILS OF OUR IPO (CONT'D)

Notes:

- (1) *These expenses are capitalised to the share capital of our Company as they are directly attributable to the issuance of Shares pursuant to the Public Issue. The amount of RM1.38 million comprise RM0.96 million for placement, underwriting, management and brokerage fees and RM0.42 million for the portion of professional fees directly attributable to the Public Issue.*
- (2) *The pro forma NA per Share is the portion attributable to the owners of the Company. Further details of the pro forma NA per Share are set out in Section 13 of this Prospectus.*

As at the date of this Prospectus, we have only one class of shares, being ordinary shares. Our Issue Shares will, upon allotment and issue, rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of our Issue Shares, subject to any applicable Rules of Bursa Depository. Our Offer Shares will rank equally in all respects with our existing Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of transfer of the Offer Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the amount paid by them, be entitled to share the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At any general meeting of our Company, each of our shareholders shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

On a show of hands, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote for each Share held.

4.5 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price of RM0.43 per IPO Share was determined and agreed upon by our Directors and Promoters and together with Kenanga IB, being our Principal Adviser, Sponsor, Underwriter and Placement Agent after taking into consideration the following factors:

- (i) our pro forma NA per Share attributable to the owners of the Company of approximately RM0.15 as at 31 December 2022 based on the enlarged issued share capital of 500,000,000 Shares, after our IPO and subsequent to the use of proceeds from our Public Issue as set out in Section 4.7 of this Prospectus;
- (ii) based on our historical audited combined statements of profit or loss and other comprehensive income of our Group for FYE 31 December 2022, we recorded a PAT of approximately RM16.62 million representing an EPS of approximately RM0.03 (based on the enlarged issued share capital of 500,000,000 Shares upon Listing) resulting in a net PE Multiple of approximately 12.93 times;
- (iii) our competitive strengths as described in Section 7.3 of this Prospectus;
- (iv) our business strategies and future plans as described in Section 7.19 of this Prospectus; and

4. DETAILS OF OUR IPO (CONT'D)

- (v) the industry overview and prospects as set out in the IMR Report in Section 8 of this Prospectus.

Prospective investors should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares. Prospective investors should form your own views on the valuation of our IPO Shares and reasonableness of the bases used before deciding to invest in our IPO Shares. You are also reminded to consider carefully the risk factors as set out in Section 9 of this Prospectus.

4.6 DILUTION

Dilution is computed as the difference between our IPO Price paid by you for our Issue Shares and the pro forma NA per Share of our Group immediately after our IPO. The following table illustrates the effect in our Group's pro forma NA for each Share to our shareholders:

	<u>RM</u>
IPO Price	0.43
Pro forma NA per Share as at 31 December 2022 after our Acquisitions but before our Public Issue	0.11
Pro forma NA per Share as at 31 December 2022 after the Public Issue and the intended use of proceeds	0.15
Increase in pro forma NA per Share after the Public Issue and the intended use of proceeds	0.04
Increase in the pro forma NA per Share attributable to existing shareholders	0.04
Dilution in pro forma NA per Share to new investors	0.28
Dilution in the pro forma NA per Share to new investors as a percentage of our IPO Price	<u>65.12%</u>

Further details of our Group's pro forma NA per Share as at 31 December 2022 are set out in Section 13 of this Prospectus.

Save as disclosed below, there has been no acquisition of any of our Shares by our Promoters, Directors, substantial shareholders, Key Senior Management or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares since our incorporation up to the LPD:

<u>Name</u>	<u>(1) No. of Shares after the Acquisitions but before our IPO</u>	<u>No. of Shares from our IPO</u>	<u>Total consideration RM</u>	<u>Average effective cost for each Share RM</u>
Promoters, Directors and substantial shareholders				
Tan Eu Tah	-	-	-	-
Teh Yee Luen	-	-	-	-

4. DETAILS OF OUR IPO (CONT'D)

Name	(¹) No. of Shares after the Acquisitions but before our IPO	No. of Shares from our IPO	Total consideration RM	Average effective cost for each Share RM
Promoter and substantial shareholder				
SH Holdings	420,000,000	-	34,398,002	0.0819
Independent Non-Executive Directors				
Mok Juan Chek	-	125,000	53,750	⁽²⁾ 0.43
Yew Yong Ling	-	125,000	53,750	⁽²⁾ 0.43
Lieu Pei Yee	-	125,000	53,750	⁽²⁾ 0.43
Yong Kim Fui	-	125,000	53,750	⁽²⁾ 0.43
Key Senior Management				
Ng Boon Kean Kenneth	-	465,000	199,950	⁽³⁾ 0.43
Tan Yee Chi	-	465,000	199,950	⁽³⁾ 0.43
New investors				
Public Issue	-	80,000,000	34,400,000	0.43
Offer for Sale	-	50,000,000	21,500,000	0.43

Notes:

- (1) *Number of Shares as at the LPD.*
- (2) *Assuming full subscription of the Pink Form Shares reserved for our eligible Directors.*
- (3) *Assuming full subscription of the Pink Form Shares reserved for our eligible Key Senior Management.*

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4. DETAILS OF OUR IPO (CONT'D)**4.7 USE OF PROCEEDS**

Based on the IPO Price of RM0.43, the total gross proceeds of RM34,400,000 from the Public Issue will be utilised by our Group in the following manner:

<u>Description of use</u>	<u>Note</u>	<u>Amount of proceeds</u>		<u>Estimated timeframe for use upon Listing</u>
		<u>(RM'000)</u>	<u>%</u>	
E-commerce fulfilment centres in Muar, Johor and overseas countries	(a)(i)			
- Purchase of inventories		10,000	29.07	Within 18 months
E-commerce fulfilment centre in Muar, Johor	(a)(ii)			
- Purchase of racking system and forklifts		1,500	4.36	Within 18 months
E-commerce advertising and promotions	(b)	1,000	2.91	Within 18 months
Repayment of borrowings	(c)	10,000	29.07	Within 6 months
Working capital	(d)	7,700	22.38	Within 12 months
Estimated listing expenses	(e)	4,200	12.21	Within 1 month
Total Public Issue proceeds		34,400	100.00	

Notes:**(a) E-commerce fulfilment centres in Muar, Johor and overseas countries**

As at the LPD, our Group utilises approximately 98 third party e-commerce fulfilment centres in overseas countries which serve as e-commerce fulfilment centres for our overseas B2C sales segment. Details on our Group's existing third party e-commerce fulfilment centres in overseas countries are as set out in Section 7.4 of this Prospectus. For our local B2C sales segment, our Group utilises our Designated Third Party Manufacturer's Premises to serve as e-commerce fulfilment centre.

As we continue to grow our B2C sales segment, we plan to set up 2 new warehouses in Malaysia located in Muar, Johor and Port Klang, Selangor to serve as e-commerce fulfilment centres. We plan to rent the warehouse in Muar, Johor and to construct the warehouse in Port Klang, Selangor on the leasehold land that we own. As at the LPD, we have not identified a warehouse for rental in Muar, Johor. The rental and construction costs respectively will be funded internally by our Group. As we are still at the preliminary stages of setting up the 2 new warehouses, the setting up cost cannot be determined at this juncture. We expect our proposed new warehouse in Muar, Johor and proposed new warehouse in Port Klang, Selangor to commence operations in 2023 and 2027 respectively.

Further details on our Group's third party e-commerce fulfilment centres as well as proposed new warehouses are set out in Sections 7.4 and 7.19 of this Prospectus respectively.

4. DETAILS OF OUR IPO (CONT'D)

- (i) *Purchase of inventories for the proposed new warehouse in Muar, Johor and third party e-commerce fulfilment centres in overseas countries*

Our Group plans to use RM10.0 million of the proceeds raised from the Public Issue for the purchase of inventories for the proposed new warehouse in Muar, Johor and third party e-commerce fulfilment centres in overseas countries as follows:

<i>Purchase of inventories by location</i>	<i>Amount (RM'000)</i>	<i>%</i>
<i>Proposed new warehouse in Muar, Johor</i>	<i>6,500</i>	<i>65.0</i>
<i>Third party e-commerce fulfilment centres in overseas countries</i>	<i>3,500</i>	<i>35.0</i>
<i>Total</i>	<i>10,000</i>	<i>100.0</i>

The above allocated amount is on a best estimate basis. The actual breakdown of the utilisation cannot be determined at this juncture as it will depend on the actual requirements of our Group at the relevant point of time. Notwithstanding the above, our Board shall have the absolute discretion to reallocate the allocation based on the requirements at the relevant point of time.

As part of our strategy to continue growing our sales in the B2C segment, we need sufficient and readily-available inventory in our overseas third party e-commerce fulfilment centres and proposed new warehouse in Muar, Johor moving forward. As such, our Group intends to increase our inventories in overseas third party e-commerce fulfilment centres for the sale of our home furniture on third party e-commerce platforms in overseas countries such as the USA, Canada and the UK. Further, we also intend to raise inventory for our proposed new warehouse in Muar, Johor. This proposed new warehouse will be used as an e-commerce fulfilment centre to store our inventories prior to shipment to overseas countries such as the USA, Canada, and the UK for our B2C sales.

Please refer to Section 7.19 of this Prospectus for further details on the purchase of inventories for overseas third party e-commerce fulfilment centres and proposed new warehouse in Muar, Johor.

- (ii) *Purchase of racking system and forklifts for the proposed new warehouse in Muar, Johor*

Our Group plans to use RM1.5 million of the proceeds raised from the Public Issue for the purchase of the following warehouse equipment for our proposed new warehouse in Muar, Johor:

4. DETAILS OF OUR IPO (CONT'D)

<i>Type of warehouse equipment</i>	<i>Quantity</i>	<i>Total estimated cost (RM'000)</i>
<i>Metal racking for inventory storage and retrieval</i>	<i>1</i>	<i>1,798</i>
<i>Industrial forklifts</i>	<i>3</i>	<i>321</i>
Total		2,119

The purchase of the warehouse equipment above is expected to improve our workflow efficiency in our proposed new warehouse in Muar, Johor.

The estimated purchase cost of these warehouse equipment is approximately RM2.1 million. Nonetheless, our Group intends to use only up to RM1.5 million of our gross proceeds raised from the Public Issue to finance these purchases. Any shortfall will be funded via the proceeds allocated for working capital, internally generated funds and/or bank borrowings. However, if the actual purchase cost is lower than estimated, the excess will be used for purchase of inventories for e-commerce fulfilment centre in Muar, Johor and overseas.

(b) E-commerce advertising and promotions

Our Group plans to use RM1.0 million of the proceeds raised from the Public Issue to implement advertising and promotion strategies to promote our products on third party e-commerce platforms. In the Financial Years Under Review, our Group incurred costs amounting to RM0.14 million, RM0.07 million, RM0.31 million and RM1.07 million respectively for our e-commerce related advertising and promotion activities.

Currently, to entice purchases from end-consumers in our B2C sales segment, we offer sales promotions, including discounts and vouchers, for our home furniture sold on third party e-commerce platforms. Further details on our sales and marketing activities on third party e-commerce platforms are set out in Section 7.10 of this Prospectus.

In efforts to further enhance our revenue for our B2C sales, we intend to implement advertising and promotion strategies to promote our products on third party e-commerce platforms that we currently sell our products on in Malaysia and overseas countries. The advertising and promotion activities that we intend to implement include offering discounts, giveaways and flash sales to customers.

4. DETAILS OF OUR IPO (CONT'D)**(c) Repayment of borrowings**

As at the LPD, the total outstanding amount of our Group's borrowings (including lease liabilities) stood at RM69.66 million. We plan to use RM10.0 million of the proceeds raised from the Public Issue to partially repay our loan facilities as follows:

Type of facility and name of financial institution	Purpose of the facility	Maturity date	Interest rate per annum (%)	Outstanding amount as at the LPD (RM'000)	Proposed repayment amount (RM'000)
Term loan from Small Medium Enterprise Development Bank Malaysia Berhad	Purchase of properties and working capital	August 2047	⁽¹⁾ 6.10	9,882	9,521
Term loan from Maybank Islamic Berhad	Working capital	September 2027	⁽²⁾ 9.90	479	479
Total				10,361	10,000

Notes:

(1) Based on BFR of - 0.75%

(2) Based on BFR of + 3.50%

In arriving at which facilities to be repaid, the above were selected as they have the highest interest rates and do not have prepayment fees for early repayment.

The partial repayment of the loan facilities above is expected to have a positive financial impact on our Group with interest savings of approximately RM0.65 million per annum based on the respective interest rates per annum.

(d) Working Capital

We plan to allocate RM7.7 million from the Public Issue proceeds to fund our working capital requirements, which include, but are not limited to, manufacturing costs (other than purchases of inventories), general selling & distribution expenses (other than the expenses as set out in paragraph (b) above) and general administrative expenses including all staff-related costs of the Group.

While the breakdown of such use has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation, on a best estimate basis, the allocation of the proceeds to be utilised for each component of the working capital are as follows:

4. DETAILS OF OUR IPO (CONT'D)

	Estimated allocation of proceeds	
	RM'000	%
<i>Manufacturing costs other than purchases of inventories⁽¹⁾</i>	1,600	20.8
<i>Staff-related costs for D&D and QC</i>	800	10.4
<i>Selling & distribution expenses⁽²⁾</i>	3,500	45.4
<i>Administrative expenses⁽³⁾</i>	1,800	23.4
Total	7,700	100.0

Notes:

- (1) As set out in Section 12.2.1(iii)(a) of this Prospectus, our manufacturing costs comprise mainly our third party manufacturing costs for our home furniture, purchase of raw material costs, freight cost in relation to our overseas B2C business, warehouse and handling charges as well import-related charges. As we have already allocated RM10.0 million under item (a) above for the purchase of inventories (i.e. our third party manufacturing costs for our home furniture), the RM1.6 million allocated above is for the other manufacturing costs components, which include freight costs for our overseas B2C business, warehouse and handling charges.
- (2) Including but not limited to freight and transportation in relation to our local B2C business, storage and fulfillment services cost, marketing support expenses, staff costs and rental expenses. For further details on our selling & distribution expenses, please refer to Section 12.2.1(v) of this Prospectus.
- (3) Including but not limited to remunerations for administrative staff and directors, legal and professional fees, upkeep and maintenance costs as well as travelling expenses.

Notwithstanding the above, our Board shall have the absolute discretion to reallocate among the various types of use of working capital expenses above depending on our operating requirements at the time of use.

(e) Estimated listing expenses

The estimated listing expenses for our IPO to be borne by our Group are as follows:

Details	RM'000
<i>Estimated professional advisory fees</i>	2,600
<i>Underwriting commission, brokerage fees and placement fees</i>	1,000
<i>Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with our IPO</i>	400
<i>Miscellaneous expenses and contingencies</i>	200
Total estimated listing expenses	4,200

In the event that the actual expenses are higher than estimated, the deficit will be funded out of working capital. However, if the actual expenses are lower than estimated, the excess will be used for general working capital requirements of our Group.

4. DETAILS OF OUR IPO (CONT'D)

Pending the eventual use of the proceeds from the Public Issue for the above intended purposes, we intend to place the proceeds raised (including accrued interest, if any) or the balance thereof in interest-bearing accounts with licenced financial institutions in Malaysia and/ or money market deposit instruments/funds.

Our Company will not receive any proceeds from the Offer for Sale. Based on our IPO Price of RM0.43 per Offer Share, the gross proceeds from the Offer for Sale of RM21,500,000 will accrue entirely to the Selling Shareholder. The Selling Shareholders will bear the entire placement and management fees and incidental expenses relating to the Offer for Sale, amounting to approximately RM0.23 million.

4.8 UNDERWRITING COMMISSION, BROKERAGE AND PLACEMENT FEES

4.8.1 Underwriting commission

Kenanga IB, as our Underwriter, has agreed to underwrite 25,000,000 Issue Shares made available for application by the Malaysian Public and 12,500,000 Pink Form Shares made available to the eligible Directors, employees and business associates of our Group as set out in Sections 4.3.1(i) and 4.3.1(ii) of this Prospectus. We will pay our Underwriter an underwriting commission at the rate of 2.50% of the total value of the underwritten Shares based on the IPO Price.

4.8.2 Brokerage fee

We will pay brokerage at the rate of 1.00% on the IPO Price in respect of all successful applications that bear the stamp of either Kenanga IB, the participating organisations of Bursa Securities, the members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

4.8.3 Placement fee

Our Placement Agent has agreed to place out 92,500,000 IPO Shares to be issued and / or offered to selected investors. The Selling Shareholder for the Offer Shares and us for the Issue Shares are obliged to pay our Placement Agent placement fee at the rate of up to 2.25% of the value of Shares placed out to selected investors at the IPO Price.

The Selling Shareholder will bear the placement fee for the 50,000,000 Offer Shares.

4.9 DETAILS OF THE UNDERWRITING ARRANGEMENT

Pursuant to the Underwriting Agreement entered on 9 March 2023 which is supplemented by a variation letter dated 26 April 2023, Kenanga IB, being the Underwriter has agreed to manage the underwriting of 37,500,000 Issue Shares ("**Underwritten Shares**") on the terms and conditions as set out in the Underwriting Agreement.

The salient terms of the Underwriting Agreement are as follows:

- (i) The obligations of the Underwriter are conditional on, amongst others, the following:
 - (a) the approvals referred to in Sections 2.1, 2.2 and 2.3 of this Prospectus remaining valid and have not been revoked, suspended, withdrawn, terminated, lapsed or amended and all the conditions imposed therein which have to be complied by the Company prior to Listing, have been complied by the Company;

4. DETAILS OF OUR IPO (CONT'D)

- (b) the receipt by the Underwriter of all relevant documentation and placement monies in respect of the Offer for Sale;
- (c) all other necessary approvals and consents required in relation to the Listing, IPO and the IPO Shares including but not limited to governmental approvals having been obtained and are in full force and effect;
- (d) the issue of the IPO Shares having been approved by the shareholders of the Company in an extraordinary general meeting and by Bursa Securities and any other relevant authorities, and such authorisation has not been withdrawn, revoked, suspended, terminated or lapsed;
- (e) the Listing, IPO and the issue and subscription of the IPO Shares in accordance with the provisions of the Underwriting Agreement is not being prohibited or impeded by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
- (f) the Prospectus having been lodged with the Registrar of Companies ("**ROC**") and registered with Bursa Securities together with all the required documents in accordance with the CMSA, the Act and the relevant laws and regulations on or before its issuance;
- (g) there having been, on or prior to the last date and time for the receipt of applications and payment for the Issue Shares in accordance with the Prospectus or such later date as the Company and Underwriter may mutually agree upon consultation with Bursa Securities, if necessary ("**Closing Date**") or the extended closing date for the receipt of applications and payment for the Issue Shares pursuant to the Public Issue which will be notified in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia ("**Extended Closing Date**"), as the case may be, no breach of and/or failure to perform any representation, warranty, covenant, undertaking or obligation of the Company in the Underwriting Agreement or which is contained in any certificate, statement, or notice provided under or in connection with the Underwriting Agreement or which proves to be incorrect in any material respect;
- (h) there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Group or in the prospects or future financial condition or business or operations of the Group (which in the reasonable opinion of the Underwriter, is or will be material in the context of the IPO, Listing and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact which is inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company contained in the Underwriting Agreement;
- (i) the Underwriter receiving a copy certified by a director or secretary of the Company to be a true resolution of the board of directors of the Company approving the Listing, the Prospectus and the Underwriting Agreement (including the execution of the Underwriting Agreement and appointment of the Underwriter), the issue and offer of the IPO Shares and authorising a person or persons to sign the Underwriting Agreement on behalf of the Company and confirming that the Directors, collectively and individually, accept full responsibility for the accuracy of all information stated in the Prospectus;

4. DETAILS OF OUR IPO (CONT'D)

- (j) the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in the Underwriting Agreement;
- (k) the Underwriting Agreement being signed by the relevant authorised signatories to the Underwriting Agreement and stamped within the statutory time frame and has not been terminated or rescinded pursuant to the provisions of the Underwriting Agreement and the Underwriting Agreement remaining in full force and effect and no breach in respect of the Underwriting Agreement has occurred;
- (l) the Prospectus being in the form and substance satisfactory to the Underwriter;
- (m) the Company having complied and that the IPO and Listing are in compliance with all applicable laws and the policies, guidelines and requirements of Bursa Securities and/or the SC and all revisions, amendments and/or supplements thereto;
- (n) the Company having fully complied with all the conditions which are required to be complied with prior to the issuance of the Prospectus or the Closing Date, or the Extended Closing Date, imposed by Bursa Securities, SC or any other relevant authority in respect of the IPO and Listing;
- (o) there not being any investigation, directions or actions by any judicial, governmental or regulatory authority in relation to the IPO, Listing or in connection with the Group which is still subsisting or unresolved to the satisfaction of the Underwriter;
- (p) there having been, as at Closing Date or the Extended Closing Date, no registration or lodgement of any amendment, supplement, or replacement to the Prospectus with Bursa Securities or the ROC without the prior written approval of the Underwriter;
- (q) a certificate, in the form substantially in the form contained in the Underwriting Agreement, dated the date of the Prospectus signed by the duly authorised officer(s) of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no change, development or occurrence as is referred to in Section 4.9(i)(h) of this Prospectus;
- (r) the Prospectus having been issued within forty-five (45) days of the date of the Underwriting Agreement, or within such extended period as may be determined by the Underwriter; and
- (s) the delivery to the Underwriter on the Closing Date or the Extended Closing Date (as the case may be) of such reports and confirmations dated the Closing Date or the Extended Closing Date (as the case may be) from the directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Company and the companies within the Group.

4. DETAILS OF OUR IPO (CONT'D)

- (ii) The Underwriter may at its sole and absolute discretion by notice in writing to the Company given at any time before the date of Listing, terminate, cancel and withdraw its commitment to underwrite the Underwritten Shares if:
- (a) the approval of Bursa Securities and/or other relevant authorities for the Listing is revoked, withdrawn or subject to the conditions not acceptable to the Underwriter;
 - (b) there is any breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriter within such number of days as stipulated in the notice given to the Company;
 - (c) there is a failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement;
 - (d) there is withholding of information from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO or Listing, or the distribution or sale of the IPO Shares;
 - (e) there shall have occurred, happened or come into effect, or which in the opinion of the Underwriter is likely to occur, any material and adverse change in the business or financial condition of the Group;
 - (f) the Listing does not take place within three (3) months from the date of the Underwriting Agreement or such other extended date as may be agreed by the Underwriter;
 - (g) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on the ACE Market of Bursa Securities due to exceptional financial circumstances which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the IPO Shares;
 - (h) a material adverse change in the stock market condition occurs, and for the purposes of this clause, a material adverse change in the stock market condition shall be deemed to have occurred if the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("**Index**") is, at the close of normal trading on Bursa Securities, on Market Day:
 - (aa) on or after the date of the Underwriting Agreement; and
 - (bb) prior to the close of the offering of the Public Issue,

lower than eighty-five per centum (85%) of the level of Index at the last close of normal trading on Bursa Securities on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event;

4. DETAILS OF OUR IPO (CONT'D)

- (i) there shall have occurred, or happened or come into effect any of the following circumstances:
- (aa) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (bb) any new or change in law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority which would prohibit or impede the obligations of the Underwriter or any event or series of events beyond the reasonable control of the Underwriter or which or will materially affect the business of the Company and/or the Group; or
 - (cc) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for three (3) consecutive Market Days or more, or
 - (dd) national disorder including but not limited to armed conflict or serious threat of the same, embargo, detention, revolution, looting or other labour disputes, any unavailability of transportation or severe economic dislocation, natural catastrophe, earthquake, typhoon, outbreak of war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, national emergency, civil war or commotion, hijacking, acts of terrorism or the declaration of a state of national emergency;
 - (ee) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power; or
 - (ff) natural catastrophe including but not limited to earthquakes, floods, fire, typhoon, storm, lightning, tempest, explosions, accident, outbreak of disease, epidemics, pandemic, the imposition of lockdowns or similar measures to control the spread of any epidemic, or any other acts of God,
- which, in the opinion of the Underwriter would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Group as a whole or the success of the IPO or Listing which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms;
- (j) any government requisition or occurrence of any other nature which would have or is likely to have a material adverse effect on the business, operations and/or financial position or prospects of the Group or the success of the IPO or the Listing;

4. DETAILS OF OUR IPO (CONT'D)

- (k) the IPO is stopped or delayed by the Company or any relevant authorities for any reason whatsoever (unless such delay has been approved in writing by the Underwriter);
 - (l) any commencement of legal proceedings or action against any member of the Group or any of their directors, which in the opinion of the Underwriter, would have or is likely to have a material adverse effect or make it impracticable to market the IPO or to enforce contracts to allot and/or transfer the shares;
 - (m) if Bursa Securities, SC or any other relevant authority issues an order pursuant to any Malaysian law such as to make it impracticable to market the IPO or to allot and/or transfer the IPO Shares;
 - (n) the Closing Date or the Extended Closing Date does not occur within 60 days from the date of the Underwriting Agreement or such other extended date as may be agreed in writing by the Underwriter;
 - (o) any of the resolutions or approvals in relation to the IPO, the Listing or the Underwriting Agreement is revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented upon terms that would have a material adverse effect; or
 - (p) any material statements contained in the Prospectus has become or been discovered to be untrue, inaccurate or misleading in any respect, or matters have arisen or have been discovered which would, if any of the Prospectus were to be issued at that time, constitute a material omission therefrom as of the LPD of this Prospectus.
- (iii) In the event that the Underwriting Agreement is terminated pursuant to Section 4.9(ii) of this Prospectus, the Underwriter and the Company may confer with a view to deferring the Public Issue by amending the terms of the Underwriting Agreement and entering into a new underwriting agreement accordingly, but neither the Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.
- (iv) Upon any such notice(s) being given pursuant to Section 4.9(ii) of this Prospectus, the Underwriter shall be released and discharged from their obligations under the Underwriting Agreement whereupon the following shall take place within three (3) Market Days of the receipt of such notice:
- (a) the Company shall make payment of the underwriting commission to the Underwriter in accordance with the provisions of the Underwriting Agreement;
 - (b) the Company shall pay or reimburse to the Underwriter the costs and expenses referred to in the Underwriting Agreement;
 - (c) each party shall return all other monies (in the case of the Underwriter, after deducting the underwriting commission and the costs and expenses referred to in the Underwriting Agreement due and owing to the Underwriter under the Underwriting Agreement) including but not limited to the subscription monies paid to the other under the Underwriting Agreement (except for monies paid by the Company for the payment of the underwriting commission and/or expenses as provided under the Underwriting Agreement),

and thereafter, the Underwriting Agreement shall be terminated and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches and for claims as provided for in the Underwriting Agreement.

4. DETAILS OF OUR IPO (CONT'D)

4.10 OBJECTIVES OF OUR IPO

The purposes of our IPO are as follows:

- (i) to establish liquidity for our Shares by the listing of and quotation for our entire share capital of 500,000,000 Shares on the ACE Market;
- (ii) to provide an opportunity for the Malaysian Public, including our eligible Directors and employees to participate in our equity;
- (iii) to enable our Group to raise funds for the purposes specified in Section 4.7 of this Prospectus;
- (iv) to enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue further growth opportunities as and when they arise; and
- (v) to gain recognition through our listing status which will enhance our Group's reputation in the marketing of our products and services, retention of our employees, expand our customer base and to attract new employees.

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5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1 OUR PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters and substantial shareholders' shareholdings

The following table shows the shareholdings of our Promoters and substantial shareholders before and after our IPO:

Name	Nationality / Country of incorporation	Before our IPO ⁽¹⁾				After our IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Tan Eu Tah	Malaysian	-	-	⁽³⁾ 420,000,000	100	-	-	⁽³⁾ 370,000,000	74.00
Teh Yee Luen	Malaysian	-	-	⁽³⁾ 420,000,000	100	-	-	⁽³⁾ 370,000,000	74.00
SH Holdings	Malaysia	420,000,000	100	-	-	370,000,000	74.00	-	-

Notes:

(1) Based on the issued share capital of 420,000,000 Shares after the completion of the Acquisitions, and before our IPO.

(2) Based on the enlarged issued share capital of 500,000,000 Shares after our IPO.

(3) Deemed interested by virtue of his direct shareholdings in SH Holdings pursuant to Section 8 of the Act.

Save for our Promoters and substantial shareholders above, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, our Promoters and substantial shareholders have the same voting rights as the other shareholders of our Company and there is no arrangement between the Company and its shareholders with any third parties, the operation of which may, at a subsequent date, result in the change in control of the Company.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.2 Profiles of Promoters and substantial shareholders

(i) Tan Eu Tah

Tan Eu Tah, a Malaysian, age 48, is our Promoter, substantial shareholder and Executive Director. He is responsible for determining the overall strategic direction and management of our Group by spearheading several business functions namely design and development, operations, purchasing, procurement, QC, warehouse management, IT and internal control. He was appointed to our Board on 3 August 2021.

He graduated with a Bachelor of Science in Business Administration from the University of Nebraska-Lincoln, USA in August 1997.

In September 1997, as the successor to his father, Tan Kau Tiah @ Tan Ching Hai, who was one of the founders of our Group, he joined our Group via Malgames Industries Sdn Bhd (now known as Synergy House Furniture Sdn Bhd) as General Manager where he mainly assisted his father in setting our Group's business direction and implementing our Group's business strategies. Over the years, he gradually took on more responsibilities where he was involved in managing our Group's overall business operations and activities such as building and maintaining relationships with customers and suppliers as well as developing marketing plans to expand our Group's furniture export market. Further, together with Teh Yee Luen, they expanded our Group's business into the design, development and manufacturing of RTA home furniture using wood panel products.

In view of the growing sales of our RTA home furniture and with the intention to scale up our Group's business, in 2004, he and Teh Yee Luen, embarked on a transformation initiative to transform our Group's business model from home furniture manufacturing to solely focus on the design, development and sale of home furniture.

In January 2006, he and Teh Yee Luen, acquired the entire equity stake in Synergy House Furniture Sdn Bhd from former shareholders who are family members and relatives. At the same time, he was appointed as a Director of our Group and assumed his current responsibilities. Over the years, he has continued to drive our Group's business expansion and revenue growth by expanding our range of furniture offerings and enhancing our operational foundation by establishing quality control procedures to uphold our product quality, as well as maintaining relationship with our suppliers. In August 2021, he was re-designated to an Executive Director of our Group.

As at the LPD, he also holds directorships in several private limited companies, details of which are disclosed in Section 5.2.3(i) of this Prospectus.

He is the brother of Tan Yee Chi and cousin of Teh Yee Luen.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) Teh Yee Luen

Teh Yee Luen, a Malaysian, age 48 is our Promoter, substantial shareholder and Executive Director. He is responsible for determining the overall strategic direction and management of our Group by spearheading several business functions namely sales and marketing, human resources and finance. He was appointed to our Board on 3 August 2021.

He graduated with a Bachelor of Science in Business Administration from the University of Nebraska-Lincoln, USA in December 1997.

Upon graduation, he began his career in 1998 as Business Development Manager in Yong Leong Sports Sdn Bhd where he was involved in identifying new markets for the sale of sports equipment, developing sales and marketing strategies and developing new products for the East Malaysian market to improve the company's sales performance. In 1999, he left Yong Leong Sports Sdn Bhd and joined our Group via Malgames Industries Sdn Bhd (now known as Synergy House Furniture Sdn Bhd) as Marketing Manager. He was responsible for managing our Group's marketing initiatives, as well as exploring business opportunities to expand our Group's furniture export market. Further, together with Tan Eu Tah, they expanded our Group's business into the design, development and manufacturing of RTA home furniture using wood panel products.

In view of the growing sales of our RTA home furniture and with the intention to scale up our business, in 2004, he worked together with Tan Eu Tah to transform our Group's business model from home furniture manufacturing to solely focus on the design, development and sale of home furniture.

In January 2006, he and Tan Eu Tah, acquired the entire equity stake in Synergy House Furniture Sdn Bhd from former shareholders who are family members and relatives. At the same time, he was appointed as a Director of our Group and assumed his current responsibilities. Over the years, he has continued to drive our business expansion and revenue growth by expanding and growing our customer base for our export markets and maintaining our relationship with customers. In August 2021, he was re-designated to an Executive Director of our Group.

As at the LPD, he also holds directorships in several private limited companies, details of which are disclosed in Section 5.2.3(ii) of this Prospectus.

He is the cousin of Tan Eu Tah and Tan Yee Chi.

(iii) SH Holdings

SH Holdings is our Promoter and substantial shareholder. SH Holdings was incorporated in Malaysia under the Act as a private limited company on 13 December 2019 under the name of Synergy House Furniture Holdings Sdn Bhd. As at the LPD, the issued share capital of SH Holdings is RM1,000 comprising 1,000 ordinary shares. The principal activity of SH Holdings is investment holding. As at the LPD, SH Holdings holds 420,000,000 ordinary shares in our Company, representing 100% of the entire issued share capital of our Company.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

As at the LPD, the directors and shareholders and their respective shareholdings in SH Holdings are as follows:

Directors and shareholders	Direct interest in SH Holdings	
	No. of shares	%
Tan Eu Tah	500	50.00
Teh Yee Luen	500	50.00

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5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.3 Changes in our Promoters' and substantial shareholder's shareholdings

The changes in our Promoters' and substantial shareholder's respective shareholdings in our Company since our incorporation are as follows:

Name	Nationality / Country of incorporation	As at date of incorporation				Before our IPO ⁽¹⁾				After our IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect		Direct		Indirect	
		No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Tan Eu Tah	Malaysian	1	50.00	-	-	-	-	⁽³⁾ 420,000,000	100	-	-	⁽³⁾ 370,000,000	74.00
Teh Yee Luen	Malaysian	1	50.00	-	-	-	-	⁽³⁾ 420,000,000	100	-	-	⁽³⁾ 370,000,000	74.00
SH Holdings	Malaysia	-	-	-	-	420,000,000	100	-	-	370,000,000	74.00	-	-

Notes:

(1) Based on the issued share capital of 420,000,000 Shares after the completion of the Acquisitions, and before our IPO.

(2) Based on the enlarged issued share capital of 500,000,000 Shares after our IPO.

(3) Deemed interested by virtue of his direct shareholdings in SH Holdings pursuant to Section 8 of the Act.

5.1.4 Promoters and substantial shareholders remuneration and benefits-in-kind

Save for the dividends to be paid or proposed to be paid, if any, to our Promoters and/or substantial shareholders and the aggregate remuneration and benefits paid or proposed to be paid to our Promoters and/or substantial shareholders for services rendered to our Group in all capacities for the FYE 31 December 2021 and FYE 31 December 2022 and proposed to be paid for FYE 31 December 2023 as set out in Section 5.2.4 of this Prospectus, there are no other amount or benefits that has been paid or intended to be paid to our Promoters and/or substantial shareholders within the 2 years preceding the date of this Prospectus.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2 BOARD OF DIRECTORS

5.2.1 Shareholdings of our Directors

The following table sets out the direct and indirect shareholdings of our Directors before and after our IPO:

Name	Before our IPO ⁽¹⁾				After our IPO ⁽²⁾⁽³⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Tan Eu Tah	-	-	⁽⁴⁾ 420,000,000	100.00	-	-	⁽⁴⁾ 370,000,000	74.00
Teh Yee Luen	-	-	⁽⁴⁾ 420,000,000	100.00	-	-	⁽⁴⁾ 370,000,000	74.00
Mok Juan Chek	-	-	-	-	125,000	0.025	-	-
Yew Yong Ling	-	-	-	-	125,000	0.025	-	-
Lieu Pei Yee	-	-	-	-	125,000	0.025	-	-
Yong Kim Fui	-	-	-	-	125,000	0.025	-	-

Notes:

- (1) Based on the issued share capital of 420,000,000 Shares after the completion of the Acquisitions, and before our IPO.
- (2) Based on the enlarged issued share capital of 500,000,000 Shares upon our IPO.
- (3) Assuming full subscription of the Pink Form Shares reserved for our eligible Directors.
- (4) Deemed interested by virtue of his direct shareholdings in SH Holdings pursuant to Section 8 of the Act.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.2 Profiles of our Directors

The profiles of our Directors, Tan Eu Tah and Teh Yee Luen who are also our Promoters and substantial shareholders are disclosed in Section 5.1.2 of this Prospectus.

The profiles of our other Directors are as follows:

(i) Mok Juan Chek

Mok Juan Chek, a Malaysian, age 67, is our Independent Non-Executive Chairman. He was appointed to our Board on 3 December 2021.

He graduated with a Diploma in Agriculture from Universiti Pertanian Malaysia in May 1976.

Upon completing his diploma, he joined Rubber Industry Smallholders Development Authority (“**RISDA**”) as RISDA Officer where he was involved in processing grants and loans to rubber smallholders in Pahang. Subsequently, he was promoted to Senior RISDA Officer where he took on more responsibilities such as overseeing the performance of his subordinates and managing grants and loans to rubber smallholders in Pahang. While continuing to pursue his career, he was granted full pay study leave by RISDA where he completed his Bachelor of Science in Agribusiness from Universiti Pertanian Malaysia in April 1984.

Upon completing his degree course, he left RISDA in May 1984 and joined a branch office of Public Bank Berhad in Melaka as Senior Operation Officer where he was responsible for marketing credit facilities and preparing credit proposals. Subsequently, he was transferred to the head office of Public Finance Berhad in Kuala Lumpur where he was involved in evaluating credit proposals. In January 1990, he was promoted to Senior Administrative Officer where he assumed similar responsibilities before he left Public Finance Berhad in September 1990.

In October 1990, he joined Chung Khiaw Bank (Malaysia) Bhd as Assistant Manager in its Melaka branch office where he was involved in marketing credit facilities, preparing loan proposals and executing credit administration works. In January 1992, he was promoted to Deputy Manager where he undertook additional roles in managing the relationships with clients who undertake loans and credit facilities with the bank's Melaka branch office. Subsequently, in January 1994, he was further promoted to Assistant Vice President where he was responsible for overseeing the overall operations of the credit marketing, processing and administration departments in the Melaka branch office. In April 1995, he left Chung Khiaw Bank (Malaysia) Bhd.

In May 1995, he joined Hong Leong Bank Berhad as Branch Manager where he was responsible for managing and overseeing the operations of a branch office in Melaka. Subsequently, he was transferred to the headquarters of Hong Leong Bank Berhad in Kuala Lumpur where he became the General Manager of the Credit Card Department where his responsibilities covered the supervision and management of the overall operations of the department. Thereafter, in June 2002, he was transferred to the southern regional office in Johor Bahru as General Manager, Business Banking where he was involved in managing the Business Banking segment of the bank for the southern and east coast regions of Malaysia.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In August 2008, he left Hong Leong Bank Berhad and joined AmBank (M) Berhad in September 2008 as General Manager in the southern regional office in Johor Bahru where he was involved in managing and overseeing the Business Banking segment for the southern and east coast regions of Malaysia. In April 2016, he was transferred to the headquarters of AmBank (M) Berhad in Kuala Lumpur and was promoted to Senior Vice President and Head of Mid-Corporates to oversee and spearhead the wholesale banking operations for the Mid-Corporate segment. In April 2019, he was promoted to Executive Vice President and Head of Mid-Corporates where he assumed similar responsibilities. In May 2020, he retired from his position in AmBank (M) Berhad.

In September 2020, he joined Affin Hwang Asset Management Berhad as a Strategic Adviser on a contract basis, a position which he held until 31 December 2022. On 10 February 2022, he was appointed as Independent and Non-Executive Chairman of Axteria Group Berhad, a company listed on the Main Market of Bursa Securities, which he assumes till present. On 27 May 2022, he was appointed as Independent and Non Executive Director of ITMAX System Berhad, a company listed on the Main Market of Bursa Securities, a position which he assumes till present. The details of his directorships as at the LPD are disclosed in Section 5.2.3(iii) of this Prospectus.

He has no family relationship with the Promoters, substantial shareholders, Directors and other Key Senior Management of our Group.

(ii) Yew Yong Ling

Yew Yong Ling, a Malaysian, age 52, is our Independent Non-Executive Director. She was appointed to our Board on 3 December 2021.

She graduated with a Bachelor of Laws from University of London, United Kingdom in August 1998.

Upon graduation, she began her career as Legal Officer in Shuang Hor Enterprise (M) Sdn Bhd in 1998 where she was involved in handling the company's legal matters including legal aspects of the company's expansion into other Asian countries and registration of trademarks and healthcare products with the relevant authorities.

In 2003, she left Shuang Hor Enterprise (M) Sdn Bhd and joined Ferida Hassan Low & Ng as a Chambering Student where she underwent her pupillage. Upon completion of her pupillage, she was called to the Malaysian bar in April 2004.

In 2004, she left Ferida Hassan Low & Ng and joined Pathology & Clinical Laboratory (M) Sdn Bhd as Legal Manager where she was responsible for handling the group's legal matters, researching on relevant acts and liaised with the relevant authorities and counsels for the group's overseas business expansion. She was also involved in managing outlet tenancies and matters related to property investment.

In 2006, she left Pathology & Clinical Laboratory (M) Sdn Bhd and founded a law firm named Yew & Partners. She is the founder, partner and practicing lawyer of Yew & Partners and to date, she has accumulated about 16 years of experience in conveyancing, specialising in real estate transactions, loan documentation and commercial agreements.

As at the LPD, she also holds directorship in one private limited company, details of which are disclosed in Section 5.2.3(iv) of this Prospectus.

She has no family relationship with the Promoters, substantial shareholders, Directors and other Key Senior Management of our Group.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) Lieu Pei Yee

Lieu Pei Yee, a Malaysian, age 33, is our Independent Non-Executive Director. She was appointed to our Board on 3 December 2021.

She graduated with a Diploma in Accounting from SEGi University College, Malaysia in July 2010. Further, she continued her studies and obtained a Bachelor of Science (Hons) in Applied Accounting from Oxford Brookes University, UK in association with the Association of Chartered Certified Accountants (“**ACCA**”) in September 2013. She has been a member of the ACCA since January 2018.

While completing her last paper for the ACCA examination, she began her career as an Audit Associate in Crowe Horwath in October 2014 where she was involved in handling and executing audit works. She was promoted to Senior Audit Associate in October 2015. In December 2015, she left Crowe Horwath.

In January 2016, she joined Ernst & Young as Audit Assistant where she was involved in handling and executing audit works. She was subsequently promoted to Audit Senior in October 2016 and thereafter promoted to Audit Supervisor in October 2018, where her responsibilities expanded to managing and leading more complex and sizeable audit engagements. Further, in October 2019, she was promoted to Audit Manager where she was responsible for managing audit engagement quality, overseeing team performance, managing client relationships and operational efficiency as well as prospecting and securing business opportunities. She has accumulated audit experience covering various industries such as e-commerce, technology services, manufacturing, trading as well as property development and investment.

In August 2021, she left Ernst & Young and joined Crown Worldwide Shared Services Sdn Bhd as Group Consolidation Manager, a position she holds to-date where she is primarily responsible for consolidating and analysing the financial statements of the group and its related companies from different geographical regions. She is also involved in the forecasting analysis and reviewing of the group’s restructuring and business acquisition and disposal exercises.

As at the LPD, she does not hold directorship in any private limited companies.

She has no family relationship with the Promoters, substantial shareholders, Directors and other Key Senior Management of our Group.

(iv) Yong Kim Fui

Yong Kim Fui, a Malaysian, age 51, is our Independent Non-Executive Director. He was appointed to our Board on 9 May 2022.

He graduated with a Bachelor of Commerce from University of Southern Queensland, Australia in September 1996. He obtained his Certified Practising Accountant (“**CPA**”) status from the Australian Society of Certified Practising Accountants (now known as CPA Australia) in March 2000 and has been a Chartered Accountant of the Malaysian Institute of Accountants (“**MIA**”) since June 2001.

He began his career with Coopers & Lybrand (now known as PricewaterhouseCoopers) as an auditor in January 1995. He specialised in finance and manufacturing sectors, and was involved in corporate restructuring, review of financial statements and projections for bonds and other debts instruments, initial public offerings and investigations. In August 2000, he left PricewaterhouseCoopers.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In September 2000, he co-founded and took up the positions of Principal and Director in KYL Consulting Sdn Bhd, which provided accounting, taxation and advisory services. He was also involved in tax investigations, reviews of profit and cashflow forecasts and projections for corporate restructuring, reviews of financial statements for debt facilities and bonds, and refund of sales taxes.

In December 2016, he left KYL Consulting Sdn Bhd and joined Securemetric Technology Sdn Bhd (now a subsidiary of Securemetric Berhad) in January 2017 as Chief Financial Officer. Subsequently, with the listing of Securemetric Berhad, he became the group's Chief Financial Officer which he assumes till present. He is responsible for planning, implementing, managing and controlling financial and related activities of the group.

On 2 February 2018, he was appointed as Non-Independent Executive Director of Securemetric Berhad, a company listed on the ACE Market which he assumes till present.

As at the LPD, he also holds directorships in several private limited companies, details of which are disclosed in Section 5.2.3(vi) of this Prospectus.

He has no family relationship with the Promoters, substantial shareholders, Directors and other Key Senior Management of our Group.

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5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.3 Principal directorships and business activities of our Directors outside our Group

The following table sets out the principal directorships of our Directors outside our Group and the principal business activities performed by our Directors outside our Group as at the LPD (“**Present Involvement**”) and those other principal directorships of our Directors outside our Group that were held within the past 5 years up to the LPD (“**Past Involvement**”):

(i) Tan Eu Tah

<u>Name of company</u>	<u>Principal activities</u>	<u>Nature of interest or involvement</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest</u>
Present Involvement					
JBP Development Sdn Bhd	Investment holding in properties	Director and shareholder ⁽¹⁾	15 April 2013	Not applicable	33.33%
Southampton Property ⁽⁴⁾	Investment holding in properties	Director and shareholder ⁽¹⁾	2 December 2011	Not applicable	50.00%
SH Holdings	Investment holding	Director and shareholder ⁽²⁾	13 December 2019	Not applicable	50.00%
Past Involvement					
Camden Concept	To carry on the business relating to provision of inspection services on all types of furniture	Past director	15 March 2012	6 April 2023 ⁽³⁾	50.00%
Factory Master Sdn Bhd	Trading of household appliances	Past director	18 March 2013	4 February 2022 ⁽³⁾	Not applicable
Globtec Resources Sdn Bhd	Trading of health care supporting equipment	Past director	7 June 2013	20 September 2018 ⁽³⁾	Not applicable
Halo Furniture Sdn Bhd	Trading of kids furniture	Past director	21 February 2014	8 May 2019 ⁽³⁾	Not applicable

Notes:

- (1) As director and shareholder of the company, Tan Eu Tah’s role is only limited to overseeing the investment of said company in the properties at the time of identification and purchase of the properties only.
- (2) As director and shareholder of the company, Tan Eu Tah’s role is only limited to monitoring the investment of said company in our Subsidiaries. As at the LPD, SH Holdings does not hold any interest in other companies.
- (3) The date of resignation is based on the date in which the company was struck off.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(4) As as the LPD, the directors and shareholders of the company are as follow:

Directors and shareholders	Direct interest	
	No. of shares	%
Tan Eu Tah	500,000	50
Teh Yee Luen	500,000	50

(ii) Teh Yee Luen

Name of company	Principal activities	Nature of interest or involvement	Date of appointment	Date of resignation	Equity interest
Present Involvement					
JBP Development Sdn Bhd	Investment holding in properties	Director and shareholder ⁽¹⁾	15 April 2013	Not applicable	33.33%
Southampton Property ⁽⁴⁾	Investment holding in properties	Director and shareholder ⁽¹⁾	2 December 2011	Not applicable	50.00%
SH Holdings	Investment holding	Director and shareholder ⁽²⁾	13 December 2019	Not applicable	50.00%
Past Involvement					
Camden Concept	To carry on the business relating to provision of inspection services on all types of furniture	Past director	15 March 2012	6 April 2023 ⁽³⁾	50.00%
Factory Master Sdn Bhd	Trading of household appliances	Director and shareholder	18 March 2013	4 February 2022 ⁽³⁾	Not applicable
Globtec Resources Sdn Bhd	Trading of health care supporting equipment	Past director	7 June 2013	20 September 2018 ⁽³⁾	Not applicable
Halo Furniture Sdn Bhd	Trading of kids Furniture	Past director	21 February 2014	8 May 2019 ⁽³⁾	Not applicable

Notes:

- (1) As director and shareholder of the Company, Teh Yee Luen's role is only limited to overseeing the investment of said company in the properties at the time of identification and purchase of the properties as well as rental arrangements of said properties as and when required.
- (2) As director and shareholder of the Company, Teh Yee Luen's role is only limited to monitoring the investment of said company in our Subsidiaries. As at the LPD, SH Holdings does not hold any interest in other companies.
- (3) The date of resignation is based on the date in which the company was struck off.
- (4) Please refer to the note (4) of Section 5.2.3 (i) above for further details on Southampton Property.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) Mok Juan Chek

<u>Name of company</u>	<u>Principal activities</u>	<u>Nature of interest or involvement</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest</u>
Present Involvement					
Axteria Group Berhad (<i>formerly known as Acoustech Berhad</i>)	Investment holding and through its subsidiaries principally involved in developing properties and construction	Director	10 February 2022	Not applicable	-
ITMAX System Berhad	Business of supply and installation and provision of public space networked systems and investment holding	Director and Shareholder	27 May 2022	Not applicable	0.02

(iv) Yew Yong Ling

<u>Name of company</u>	<u>Principal activities</u>	<u>Nature of interest or involvement</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest</u>
Present Involvement					
FH Comfy Home (M) Sdn Bhd	Investment holding and the letting of property	Director and shareholder	24 September 2018	Not applicable	20.00%
Past Involvement					
Summerland Properties Sdn Bhd	Dormant	Past director	30 November 2012	29 June 2017 ⁽¹⁾	Not applicable

Note:

(1) The date of resignation is based on the date in which the company was struck off.

(v) Lieu Pei Yee

Lieu Pei Yee does not have any principal business activities outside our Group as at the LPD or directorships outside our Group at present and in the past 5 years preceding the LPD.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(vi) Yong Kim Fui

<u>Name of company</u>	<u>Principal activities</u>	<u>Nature of interest or involvement</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest</u>
Present Involvement					
Innov8tif Consortium Sdn Bhd	Activities of holding companies	Director	19 January 2023	-	-
Innov8tif Holdings Sdn Bhd	Activities of holding companies	Director	19 January 2023	-	-
Innov8tif Solutions Sdn Bhd	ICT system development, deployment and maintenance service, software trading and services	Director	27 June 2022	-	-
Signing Sdn Bhd	Cloud Information communication technology (ICT) system security	Director	20 November 2020	-	-
Securemetric Berhad	Investment holding and through its subsidiaries principally involved in providing digital security solutions as well as trading of electronic identification products and other related services	Director and shareholder	2 February 2018	-	1.19%
Past Involvement					
G3 Global Berhad	Investment holding, Information and communications technology and through its subsidiaries principally involved as premier healthcare distributor for hospital equipment, pharmaceuticals and hospital consumables	Past director	29 January 2016	6 October 2021	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Name of company	Principal activities	Nature of interest or involvement	Date of appointment	Date of resignation	Equity interest
Parlo Berhad	Investment holding and through its subsidiaries principally involved in providing travel services and ticketing agents for airline companies, online travel booking including all related services thereto, general advertising such as network marketing, or multilevel marketing and direct selling and human resource consultancy services	Past director	4 June 2021	31 March 2022	-

Save as disclosed above, our Directors are not involved in other businesses or corporations.

The involvement of our Directors mentioned above in other principal business activities outside of our Group will not affect their commitment and responsibilities to our Group in their respective roles as our Directors, as:

- (a) our Non-Executive Directors are not involved in the day-to-day operations of our Group. Their involvement in other business activities outside our Group will not affect their contributions to our Group as the principal activities of those companies are not similar to our Group's business; and
- (b) our Executive Directors are not actively involved in any business activities outside our Group. Their involvement will not affect their ability to perform their roles and responsibilities as well as their contribution to our Group.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.4 Directors' remuneration and benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our current Directors for services rendered to our Group for FYE 31 December 2021 and FYE 31 December 2022 and proposed to be paid for FYE 31 December 2023 are as follows:

FYE 31 December 2021	Salaries RM'000	Fees and allowances RM'000	Bonuses RM'000	Statutory contributions ⁽¹⁾ RM'000	Benefits-in- kind RM'000	Total RM'000
Independent Non-Executive Directors						
Mok Juan Chek	-	6	-	-	-	6
Yew Yong Ling	-	5	-	-	-	5
Lieu Pei Yee	-	5	-	-	-	5
Yong Kim Fui ⁽²⁾	-	0	-	-	-	0
Non-Independent Executive Directors						
Tan Eu Tah	360	-	360	89	9	818
Teh Yee Luen	360	-	360	89	7	816
FYE 31 December 2022						
FYE 31 December 2022	Salaries RM'000	Fees and allowances RM'000	Bonuses RM'000	Statutory contributions ⁽¹⁾ RM'000	Benefits-in- kind RM'000	Total RM'000
Independent Non-Executive Directors						
Mok Juan Chek	-	72	-	-	-	72
Yew Yong Ling	-	60	-	-	-	60
Lieu Pei Yee	-	60	-	-	-	60
Yong Kim Fui ⁽²⁾	-	39	-	-	-	39
Non-Independent Executive Directors						
Tan Eu Tah	360	-	360	89	9	818
Teh Yee Luen	360	-	360	89	7	816

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

FYE 31 December 2023	Salaries RM'000	Fees and allowances RM'000	Bonuses RM'000	Statutory contributions ⁽¹⁾ RM'000	Benefits-in- kind RM'000	Total RM'000
Independent Non-Executive Directors						
Mok Juan Chek	-	72	-	-	-	72
Yew Yong Ling	-	60	-	-	-	60
Lieu Pei Yee	-	60	-	-	-	60
Yong Kim Fui	-	60	-	-	-	60
Non-Independent Executive Directors						
Tan Eu Tah	360	-	360	89	9	818
Teh Yee Luen	360	-	360	89	7	816

Notes:

(1) These comprise of contribution to EPF and SOCSO.

(2) Yong Kim Fui was only appointed as a director of our Company on 9 May 2022.

The remuneration of our Directors, which includes salaries, fees and allowances, bonuses, as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently, be approved by our Board, subject to the provisions of our Constitution. Our Directors' fees and benefits must be further approved and endorsed by our shareholders at a general meeting.

5.3 BOARD PRACTICES

5.3.1 Directors' term of office

As at the LPD, the date of expiry of the current term of office for each of our Director and the period that each of them has served in that office is as follows:

Directors	Date of appointment	Date of expiry of the current term of office	Approximate no. of years in office up to the date of this Prospectus
Mok Juan Chek	3 December 2021	At our first annual general meeting	One (1) year
Tan Eu Tah	3 August 2021	At our first annual general meeting	One (1) year
Teh Yee Luen	3 August 2021	At our first annual general meeting	One (1) year
Yew Yong Ling	3 December 2021	At our first annual general meeting	One (1) year
Lieu Pei Yee	3 December 2021	At our first annual general meeting	One (1) year
Yong Kim Fui	9 May 2022	At our first annual general meeting	Less than one (1) year

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.2 Audit Committee

The Audit Committee shall solely comprise of Independent Non-Executive Directors. The Audit Committee was constituted on 15 June 2022 with the function of assisting our Board in fulfilling its oversight responsibilities. The composition of our Audit Committee is set out below:

Name	Designation	Directorship
Yong Kim Fui	Chairman	Independent Non-Executive Director
Yew Yong Ling	Member	Independent Non-Executive Director
Lieu Pei Yee	Member	Independent Non-Executive Director

Our Audit Committee has full access to both internal and external auditors who in turn have access at all times to the Chairman of our Audit Committee. The key duties and responsibilities of our Audit Committee as stated in its terms of reference include, amongst others, the following:

- (i) Review the quarterly results and the year-end financial statements of our Group, before submission to the Board for approval, focusing particularly on:
 - (a) changes in or implementation of major accounting policy changes;
 - (b) significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions and how these matters are addressed;
 - (c) significant adjustment arising from the audit;
 - (d) major judgemental areas;
 - (e) the going concern assumption; and
 - (f) compliance with accounting standards, regulatory and other legal requirements.
- (ii) Review and provide advice on whether the financial statements taken as a whole provide a true and fair view of our Company's financial position and performance.
- (iii) Ask probing questions to ascertain whether the financial statements are consistent with operational and other information known, where there are significant matters requiring judgement.
- (iv) Consider and recommend to the Board on the appointment or re-appointment of external auditors and to fix their fees (audit and non-audit), after assessing their independence and capabilities as well as the effectiveness of the external audit process.
- (v) Review the following and report the same to the Board:
 - (a) letter of resignation from the external auditors or suggestions for their dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditors, if applicable; and
 - (b) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (vi) Assess the suitability, objectivity and independence of the external auditors on an annual basis based on the policies and procedures that have been established and the annual performance evaluation of the external auditors undertaken by the Committee. The policies and procedures must include among others consideration on:
- (a) the criteria to guide decisions on the appointment and re-appointment of the external auditor. The criteria should include an assessment of the competence, audit quality and resource capacity of the external auditor in relation to the audit. The assessment should also consider information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the Committee may engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;
 - (b) the appropriateness of audit fees to support a quality audit;
 - (c) requirement for non-audit service to be approved by the Committee before they rendered by the external auditor and its affiliates while taking into account the nature and external of the non-audit services and the appropriateness of the level of fees;
 - (d) requirement to obtain written assurance from the external auditor confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
 - (e) the conduct of an annual evaluation on the performance of the external auditor and undertaking follow-up measures, where required.
- (vii) Review the following with the external auditors and report the same to the Board:
- (a) audit plan, its scope and nature;
 - (b) audit report;
 - (c) evaluation of the system of internal controls;
 - (d) the assistance given by the employees to the external auditors, including any difficulties or disputes with management encountered during audit; and
 - (e) external auditors' management letter and management's response thereto.
- (viii) In relation to the internal audit function, the responsibilities of the Committee are to:
- (a) review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (b) review the internal audit plan, programme, processes, and the reporting structure;
 - (c) review the findings of the internal auditor's reports, investigations undertaken and whether or not appropriate actions are taken by the management, based on the recommendations of the internal auditors;
 - (d) review the appraisal or assessment of the performance of the internal audit function on an annual basis; and

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (e) review any special audit which the Committee deems necessary.
- (ix) Monitor, review and report to the Board any related party transactions and recurrent related party transactions and conflict of interest that may arise within the Company or Group, including any transaction, procedures or course of conduct that raises question on management integrity.
- (x) Review all financial related reports/statements as required by the Listing Requirements, for inclusion in the annual report;
- (xi) Verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by our Group (if any);
- (xii) Obtain regular updates from the management regarding compliance matters;
- (xiii) Review findings, queries or investigation by the regulatory agencies (if any);
- (xiv) Review the adequacy and appropriateness of Anti-Bribery and Corruption Policy, and Whistleblowing Policy, when necessary;
- (xv) Report to Bursa Securities on any matter reported to the Board, which has not been satisfactory resolved, resulting in the breach of the Listing Requirements; and
- (xvi) Carry out any other functions that may be mutually agreed upon by the Committee and the Board.

5.3.3 Risk Management Committee

The Risk Management Committee was constituted on 15 June 2022 by our Board. The composition of our Risk Management Committee is set out below:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Yong Kim Fui	Chairman	Independent Non-Executive Director
Yew Yong Ling	Member	Independent Non-Executive Director
Lieu Pei Yee	Member	Independent Non-Executive Director

The key duties and responsibilities of our Risk Management Committee as stated in its terms of reference include, amongst others, the following:

- (i) Ensure that an appropriate risk reporting structure is established to facilitate reporting of risks to management and the Board;
- (ii) Oversee our Group's overall risk management framework and policies;
- (iii) Review the risk management framework, policies and processes, which include identifying, managing, monitoring, treating and mitigating significant risks of our Group, and recommend for approval by the Board;
- (iv) Review and assess the risk appetite and risk tolerance for our Group;
- (v) Review the regulatory and any other reports within the purview of the Committee;

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (vi) Review the significant risks identified and assess the mitigating actions put in place to manage these risks;
- (vii) Review the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report, and recommend to the Board for approval;
- (viii) Ensure that the key risks are effectively managed in accordance with our Group's risk management policies and strategies;
- (ix) Review the adequacy of resources in managing the risk management framework;
- (x) Review and deliberate reports on non-compliance findings by regulatory agencies;
- (xi) Carry out other responsibilities, functions or assignments as may be defined by the Board from time to time;
- (xii) Review Management's efforts to embed a risk management in all aspect of our Group's activities; and
- (xiii) Review the disclosure on the risk management and internal control in our Company's annual reports.

5.3.4 Remuneration Committee

The Remuneration Committee was constituted on 15 June 2022 by our Board. The composition of our Remuneration Committee is set out below:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Yew Yong Ling	Chairman	Independent Non-Executive Director
Yong Kim Fui	Member	Independent Non-Executive Director
Lieu Pei Yee	Member	Independent Non-Executive Director

The key duties and responsibilities of our Remuneration Committee as stated in its terms of reference include, amongst others, the following:

- (i) Review our Group's policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Directors and senior management, and recommend to the Board for approval.
- (ii) In determining the remuneration packages of Directors and senior management, the Committee should take into consideration the following:
 - (a) technical competency, skills, expertise and experience;
 - (b) qualification and professionalism;
 - (c) integrity;
 - (d) roles and responsibilities;
 - (e) company's performance in managing material sustainability risks and opportunities; and
 - (f) aligned with the business and risks strategies, and long-term objectives of our Group.
- (iii) Review remuneration packages of Directors, senior management and key consultants, having regard to our Group's operating results, individual performance and comparable market statistics and recommend to the Board for approval.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (iv) Review compensation policy of Directors and senior management, and ensure the compensations offered are in line with market practice.
- (v) Ensure fees and benefits payable to Directors, and any compensation for loss of employment of Executive Directors are approved by shareholders at General Meetings.
- (vi) Oversee any major changes in employee remuneration and benefit structures throughout our Group.
- (vii) Recommend to the Board any performance related pay schemes for our Company or Group.
- (viii) Recommend to the Board on the appointment of experts or consultants, where necessary to fulfil its responsibilities.
- (ix) To carry out other responsibilities, functions or assignments as may be agreed by the Board from time to time.

5.3.5 Nomination Committee

The Nomination Committee was constituted on 15 June 2022 by our Board. The composition of our Nomination Committee is set out below:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Lieu Pei Yee	Chairman	Independent Non-Executive Director
Yew Yong Ling	Member	Independent Non-Executive Director
Yong Kim Fui	Member	Independent Non-Executive Director

The key duties and responsibilities of our Nomination Committee as stated in its terms of reference include, amongst others, the following:

- (i) Assess and review the size, composition, mix of skills and experience, and diversity (including gender diversity) of the Board and Board Committees, and recommend to the Board for approval;
- (ii) Identify, consider and recommend to the Board suitable candidates for appointment as Directors. The Committee shall not solely rely on recommendations from existing board members, management or major shareholders, but will also utilise independent sources to identify suitably qualified candidates. In making the recommendations, the Committee shall:-
 - (a) assess the candidates' skills, expertise, experience, professionalism, commitment, integrity, character and competence;
 - (b) consider board diversity including age and gender diversity; and
 - (c) in the case of candidates for the position of Independent Non-Executive Directors, evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (iii) If the selection of candidates was solely based on recommendations made by existing Board, management or major shareholders, the Committee should explain why other sources were not used.
- (iv) Recommend to the Board on the appointment of members of each Board Committee.
- (v) Recommend to the Board the appointment, cessation, suspension, dismissal and/or any staff movement including re-designation, re-deployment, transfer or secondment of senior management of our Group.
- (vi) Assess annually the effectiveness of the Board as a whole, Board Committees, and the contribution of each individual Director and Chief Executive Officer (as may be applicable), including his/her character, competence, experience and time commitment. All assessments and evaluation carried out by the Committee in the discharge of its duties shall be disclosed in the Annual Report.
- (vii) Review the tenure of each director and ensure that the annual re-election of a director is subjected to the satisfactory evaluation of the director's performance and contribution to the Board.
- (viii) Review and assess the independence of Independent Directors on an annual basis.
- (ix) Recommend to the Board with reasons on re-election of Directors who retired by rotation pursuant to the Company's Constitution and re-appointment of Directors who retired pursuant to relevant sections of the Act.
- (x) Ensure all appointment and re-election of directors are evaluated through a transparent process, including meeting the criteria of the Fit and Proper Policy;
- (xi) Evaluate and review performance of the Board and senior management including, taking into consideration the company's performance in managing material sustainability risks and opportunities.
- (xii) Review Board and senior management succession plans and overseeing the development of a diverse pipeline for Board and management succession, including the future Chairman, Executive Directors and Chief Executive Officer (as may be applicable).
- (xiii) Facilitate Board induction programme for newly appointed Directors.
- (xiv) Identify suitable educational and training programmes for continuous development of Directors to ensure the Directors keep abreast with development in the industry, regulatory changes and board business trends.
- (xv) Review and recommend to the Board, the development and implementation of the relevant policies and procedures on nomination related matters concerning our Group.
- (xvi) Review annually the term of office, effectiveness and performance of the Audit Committee and each of its members to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.
- (xvii) Consider and examine such matters as the Committee considers appropriate.
- (xviii) Carry out such other duties or functions as may be delegated by the Board from time to time or required by the regulatory authority.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.6 Malaysian Code on Corporate Governance (“MCCG”)

Our Board acknowledges and take cognisance of the MCCG which contains best practices and guidance for listed companies to improve upon or to enhance their corporate governance as it forms an integral part of their business operations and culture. Our Board believes that our current Board composition provides an appropriate balance in terms of skills, knowledge and experience to promote the interest of all shareholders and to govern our Group effectively. Our Company has adopted the recommendations under the MCCG to have a Board comprising a majority of independent directors. Further, our Group has at least 30% women directors on our Board whereby we have 2 women directors out of a total of 6 Directors. Our Chairman of the Board is also not a member of our Audit Committee, Risk Management Committee, Remuneration Committee or Nomination Committee.

5.4 KEY SENIOR MANAGEMENT

5.4.1 Key Senior Management team

The composition of our Key Senior Management is set out below:

Name	Age	Nationality	Designation
Tan Eu Tah	48	Malaysian	Executive Director
Teh Yee Luen	48	Malaysian	Executive Director
Ng Boon Kean Kenneth	35	Malaysian	Group Accountant
Tan Yee Chi	45	Malaysian	Marketing Director

5.4.2 Profiles of our Key Senior Management

The profiles of our Executive Directors who are part of the Key Senior Management are set out in Section 5.1.2 of this Prospectus.

The profiles of our other Key Senior Management are as follows:

(i) Ng Boon Kean Kenneth

Ng Boon Kean Kenneth, a Malaysian, age 35, is our Group Accountant. He is responsible for managing and overseeing the accounting and finance function of our Group including financial reporting, audit, tax and banking related matters.

He passed his examinations in December 2009 and graduated with a Bachelor of Business and Commerce specialising in Accounting and Banking and Finance from Monash University, Malaysia in March 2010. He has been a Chartered Accountant of MIA since April 2018 and was duly admitted to full membership of CPA Australia and is entitled to use the designation CPA in July 2013.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

After passing his examinations, he began his career at KPMG PLT in January 2010 as an Audit Associate where he was tasked with assisting seniors in audit works for the manufacturing and trading sectors. Subsequently, in January 2012, he was promoted to Audit Senior Associate where he was involved in leading, handling and executing audit assignments. In January 2013, he was further promoted to Assistant Manager where his responsibilities expanded to managing and leading more complex and sizeable audit engagements as well as conducting internal training programs. Later, in January 2015, he was promoted to Manager where he was responsible for handling audit portfolios, managing clients, managing the billing and collection of audit fees, recruiting team members as well as participating in inter-departmental training programs.

In July 2015, he left KPMG PLT and joined PKT Logistics Group Sdn Bhd as a Senior Finance Manager, Corporate Finance. He was in-charge of managing PKT Logistics Group Sdn Bhd and its related companies' borrowings related matters including liaising with bankers, monitoring loan covenants and repayments as well as reviewing cash flow projections. He was also involved in handling special projects, including joint venture and private placement exercises, as well as assisting and supporting operations of the Accounts & Finance department. Subsequently, in April 2017, he was promoted to Deputy General Manager, Corporate Finance where he assumed similar responsibilities.

In August 2017, he left PKT Logistics Group Sdn Bhd and joined Ban Seng Lee Industries Sdn Bhd (a subsidiary of BSL Corporation Berhad) in September 2017 as Group Accounts Manager, where he was involved in overseeing and managing the overall BSL Corporation Berhad's accounts and banking related matters. He was also responsible for managing corporate finance related matters and ensuring the group's compliance with corporate governance practices and disclosure requirements issued by SC and Bursa Securities. Subsequently, in September 2021, he was promoted to Group Senior Finance Manager where he was involved in managing and liaising with the group's executive directors and handling more corporate finance related matters.

In December 2021, he left Ban Seng Lee Industries Sdn Bhd and subsequently joined our Group in January 2022 as Group Accountant where he assumes his current responsibilities. Prior to his joining as the Group Accountant, Tan Wee Yee, our Assistant Group Accountant was in charge of the accounting and finance function of our Group. As the Assistant Group Accountant, Tan Wee Yee supports our Group Accountant in discharging his responsibilities,

He has no family relationship with the Promoters, substantial shareholders, Directors and other Key Senior Management of our Group

(ii) Tan Yee Chi

Tan Yee Chi, a Malaysian, age 45, is our Marketing Director. She is responsible for managing and overseeing the sales and marketing department of our Group, including the development of sales and marketing strategies to improve our Group's sales.

She completed her degree course in December 2001 and subsequently obtained a Bachelor of Arts (Hons) in Business Information Technology offered by INTI International University, Malaysia in collaboration with Coventry University, United Kingdom in November 2002.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In March 2003, she joined our Group via Malgames Industries Sdn Bhd (now known as Synergy House Furniture Sdn Bhd) as Marketing Executive where she was involved in handling customers' orders as well as performing monthly follow ups.

In 2008, she was promoted to Marketing Manager where she was responsible for leading and supervising our sales and marketing team in generating sales and maintaining relationships with customers, as well as assessing market potential of new and existing sales opportunities to increase our Group's sales. In 2015, she was promoted to her current position.

She is the sister of Tan Eu Tah and cousin of Teh Yee Luen.

5.4.3 Shareholdings of our Key Senior Management

The direct and indirect shareholdings of our Executive Directors who are part of the Key Senior Management before and after our IPO are set out in Section 5.2.1 of this Prospectus.

The following table sets out the direct and indirect shareholdings of our other Key Senior Management, assuming full subscription of Pink Form Shares reserved for our eligible employees.

Name	Before our IPO				After our IPO ⁽¹⁾⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Ng Boon Kean Kenneth	-	-	-	-	465,000	0.09	-	-
Tan Yee Chi	-	-	-	-	465,000	0.09	-	-

Notes:

(1) Based on the enlarged issued share capital of 500,000,000 Shares upon our IPO.

(2) Assuming full subscription of the Pink Form Shares reserved for our eligible employees.

5.4.4 Principal directorship of our Key Senior Management and principal business activities performed outside of our Group

The principal activities performed outside of our Group at present and in the past 5 years preceding the LPD by our Executive Directors who are part of the Key Senior Management are set out in Section 5.2.3 of this Prospectus.

None of our other Key Senior Management have any principal business activities outside our Group as at the LPD, nor do they have directorships outside our Group at present and in the past 5 years preceding the LPD.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.5 Key Senior Management's remuneration and benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Executive Directors who are part of the Key Senior Management for services rendered to our Group for FYE 31 December 2021 and FYE 31 December 2022 and proposed to be paid for FYE 31 December 2023 are set out in Section 5.2.4 of this Prospectus.

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our other Key Senior Management for FYE 31 December 2021 and FYE 31 December 2022 and proposed to be paid for FYE 31 December 2023 are as follows:

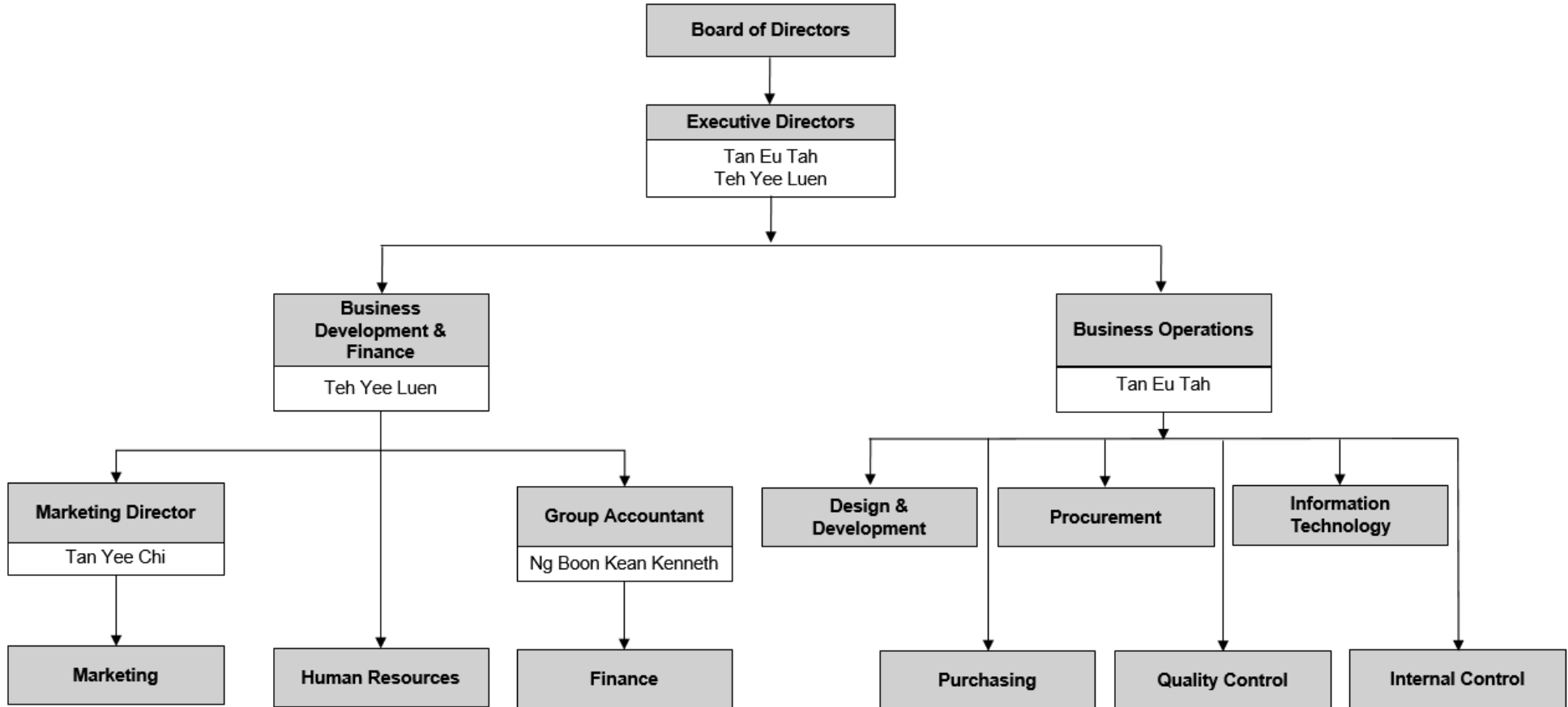
Name	Remuneration band (RM)		
	FYE 31 December 2021 RM'000	FYE 31 December 2022 RM'000	FYE 31 December 2023 RM'000
Ng Boon Kean Kenneth	-	250-300	300-350
Tan Yee Chi	300-350	300-350	350-400

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5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.6 Management reporting structure

The management reporting structure of our Group is as follows:



5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.5 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Save as disclosed below and as at the LPD, none of our Promoters, Directors and Key Senior Management is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him or any partnership in which he was a partner or any corporation of which he was a director or member key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgement was entered against him, or finding at fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, he was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (vi) being the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- (vii) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) has an unsatisfied judgement against him/ her.

Yew Yong Ling was subject to a complaint lodged to the Bar Council Disciplinary Board (“DB”) by a client for allegedly disregarding the client’s interest (“**Complaint**”) in respect of a sale and purchase transaction for the purchase of a property. The Complaint was heard by the Bar Council Disciplinary Committee that was appointed by the DB on 26 January 2016 and the DB had on 10 February 2017 ordered a penalty of RM5,000 to be paid to the DB and the Complaint was settled on 8 March 2017.

5.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save and except as disclosed in Sections 5.1.2, and 5.4.2 of this Prospectus, there is no family relationship and/or association between any of our Promoters, substantial shareholders, Directors and Key Senior Management.

5.7 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements entered into or to be entered into by our Directors or any member of our Key Senior Management with our Group.

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

Our Company was incorporated in Malaysia on 3 August 2021 under the Act as a private limited company under the name of Synergy House Sdn Bhd and was subsequently converted to a public limited company on 21 December 2021 to facilitate our Listing.

Our principal activities are investment holdings and management services while the principal activities of our Subsidiaries are disclosed in Section 6.4 of this Prospectus.

6.2 SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

As at the LPD, our issued share capital is RM34,398,002 comprising 420,000,000 Shares.

Details of the changes in the issued share capital of our Company since its incorporation up to the LPD are as follows:

<u>Date of allotment</u>	<u>No. of Shares</u>	<u>Nature of transaction</u>	<u>Consideration</u>	<u>Cumulative issued share capital (RM)</u>	<u>Cumulative no. of Shares</u>
3 August 2021	2	Subscriber's shares	Cash	2	2
20 January 2023	419,999,998	Allotment of Shares pursuant to the Acquisitions	Other than cash	34,398,002	420,000,000

Upon completion of our Public Issue, our issued share capital will increase to RM67,419,002 comprising 500,000,000 Shares.

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital in respect of our Shares. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the allotments as tabulated above.

As at the LPD, we are not involved in any winding-up, receivership or similar proceedings.

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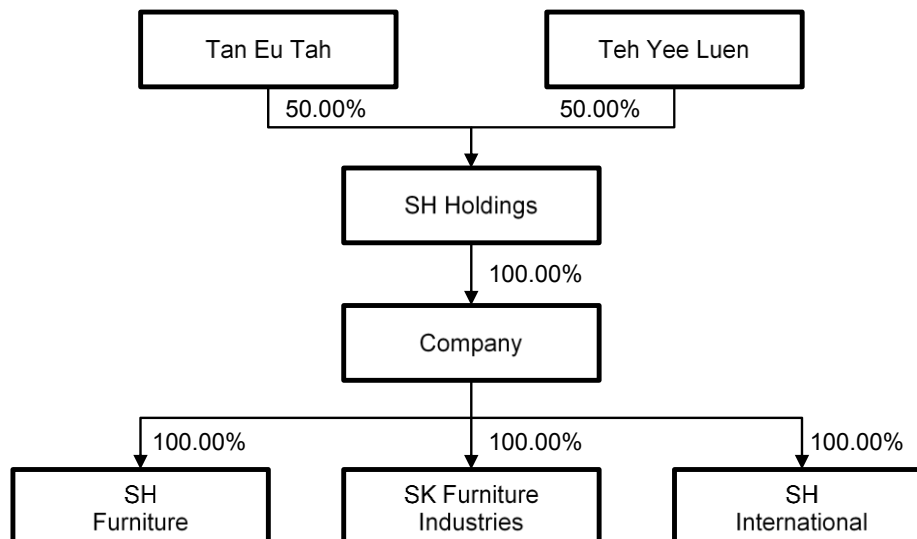
6. INFORMATION ON OUR GROUP (CONT'D)

6.3 OUR GROUP STRUCTURE

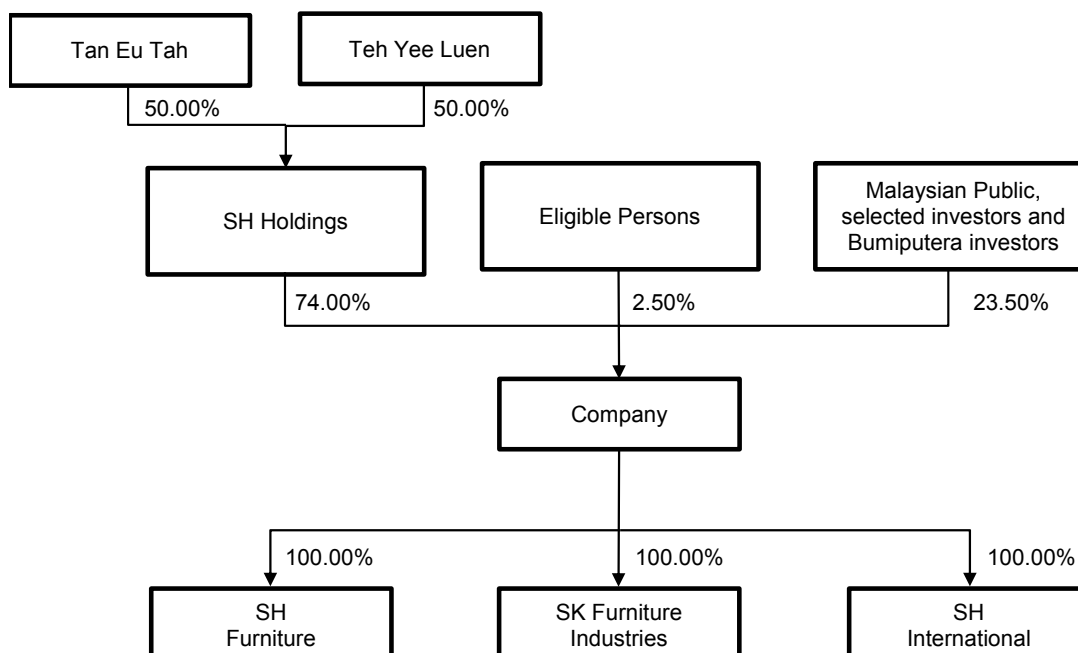
Our Group was formed on 20 January 2023 pursuant to the completion of the Acquisitions. SH Furniture, SK Furniture Industries and SH International then become wholly-owned subsidiaries of our Company.

Our Group structure upon Listing is as follows:

After the Acquisitions but before our IPO⁽¹⁾



After our IPO⁽²⁾



6. INFORMATION ON OUR GROUP (CONT'D)**Notes:**

- (1) Based on the issued share capital of 420,000,000 Shares after the completion of the Acquisitions, and before our IPO .
- (2) Based on the enlarged issued share capital of 500,000,000 Shares after our IPO.

In conjunction with the Acquisitions, our Company entered a conditional share sale agreement on 6 December 2021 and supplemented by a supplemental agreement dated 25 May 2022 for the acquisition of the entire share capital of SH Furniture, SK Furniture Industries and SH International from SH Holdings and the purchase consideration was fully satisfied by the issuance of new Shares at an issue price of RM0.0819 each in the proportion as set out in the table below.

Vendor	No. of ordinary shares acquired	Equity interest in companies (%)	Purchase consideration (RM)	No. of Shares issued
<i>Vendor of SH Furniture</i>				
SH Holdings	1,000,000	100	30,053,254	366,950,600
<i>Vendor of SK Furniture Industries</i>				
SH Holdings	1,560,000	100	3,776,597	46,112,299
<i>Vendor of SH International</i>				
SH Holdings	50,000	100	568,149	6,937,099
		Total	34,398,000	419,999,998

The total purchase consideration of approximately RM30,053,254 for the acquisition of SH Furniture was arrived at after taking into consideration the audited NA of SH Furniture as at 31 December 2021 of RM30,053,928 reflecting a discount of approximately RM674 to the foregoing NA for the purposes of computing a whole number of Shares to be issued pursuant to the foregoing acquisition. The acquisition of SH Furniture was completed on 20 January 2023.

The total purchase consideration of approximately RM3,776,597 for the acquisition of SK Furniture Industries was arrived at after taking into consideration the audited NA of SK Furniture Industries as at 31 December 2021 of RM3,776,682 reflecting a discount of approximately RM85 to the foregoing NA for the purposes of computing a whole number of Shares to be issued pursuant to the foregoing acquisition. The acquisition of SK Furniture Industries was completed on 20 January 2023.

The total purchase consideration of approximately RM568,149 for the acquisition of SH International was arrived at after taking into consideration the audited NA of SH International as at 31 December 2021 of RM568,161 reflecting a discount of approximately RM12 to the foregoing NA for the purposes of computing a whole number of Shares to be issued pursuant to the foregoing acquisition. The acquisition of SH International was completed on 20 January 2023.

The Acquisitions are conditional on the following:

- the approval of Bursa Securities for the Listing;
- the approval-in-principle of Bursa Securities to register this Prospectus;
- the approval of the SC's Equity Compliance Unit in relation to the resultant equity structure of the Target Group (as defined below) pursuant to the Listing;

6. INFORMATION ON OUR GROUP (CONT'D)

- (d) the letter of no objection by MITI in respect of the allocation of securities pursuant to the Listing to Bumiputera investors as may be nominated by MITI;
- (e) the approval of the directors and shareholders of the Company for the:
 - (i) purchase of the sale shares; and
 - (ii) issuance of the consideration shares to SH Holdings,
- (f) the approval of the directors and shareholders of SH Furniture, SK Furniture Industries and SH International ("**Target Group**") for the:
 - (i) transfer of the sale shares to the Company;
 - (ii) registration of the sale shares under the name of the Company in the register of members of the relevant member of the Target Group; and
 - (iii) issuance of new share certificates in respect of the sale shares to the Company,
- (g) the approval of the directors and shareholders of the SH Holdings for the sale of the sale shares upon the terms and subject to the conditions set out in the agreement; and
- (h) the approval(s) and/or consent(s) of any other relevant authority(ies) and/or party(ies), if required.

Following the completion of the Acquisitions, our issued share capital increased from 2 Shares to 420,000,000 Shares.

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6. INFORMATION ON OUR GROUP (CONT'D)

6.4 DETAILS OF OUR SUBSIDIARIES

As at the LPD, the details of our Subsidiaries are as follows:

Name and registration no.	Date / Place of incorporation	Principal place of business	Effective equity interest (%)	Principal activities
Synergy House Furniture Sdn Bhd (199001010074 (201646-K))	27 July 1990 / Malaysia	Malaysia	100%	Design and development and sale of all types of furniture and related products
Sunny & Ker Furniture Industries Sdn Bhd (200401037947 (676458-D))	28 December 2004 / Malaysia	Malaysia	100%	Trading of all types of furniture and related products
Synergy House International Sdn Bhd (200601008985 (728735-V))	31 March 2006 / Malaysia	Malaysia	100%	Trading of all types of furniture and related products

6.4.1 Our Subsidiaries

(i) SH Furniture

(a) Background and history

SH Furniture was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 27 July 1990 and deemed registered under the Act, under the name of Malgames Industries Sdn Bhd and thereafter assumed its present name on 8 March 2004. SH Furniture commenced its operations in 1991.

(b) Principal place of business

SH Furniture's principal place of business is at Lot 19.A, Level 19, Top Glove Tower, No. 16, Persiaran Setia Dagang, Bandar Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor, Malaysia.

(c) Principal activities and products/services

SH Furniture is principally involved in the business of design and development and sale of all types of furniture and related products.

(d) Share capital

As at the LPD, the issued share capital of SH Furniture is RM1,000,000 comprising 1,000,000 ordinary shares.

6. INFORMATION ON OUR GROUP (CONT'D)

The changes in SH Furniture's issued share capital since incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Cash consideration (RM)</u>	<u>Cumulative no. of shares</u>	<u>Cumulative share capital (RM)</u>
27 July 1990	200,000	Cash	200,000	200,000
16 February 2000	300,000	Cash	500,000	500,000
2 August 2007	250,000	Cash	750,000	750,000
31 March 2009	250,000	Cash	1,000,000	1,000,000

(e) Shareholder

Upon completion of the Acquisitions, SH Furniture became our wholly-owned subsidiary.

(f) Subsidiary or associated company

SH Furniture does not have any subsidiary or associated company.

(ii) SK Furniture Industries**(a) Background and history**

SK Furniture Industries was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 28 December 2004 and deemed registered under the Act, under the name of Sunny & Ker Furniture Industries Sdn Bhd. SK Furniture Industries commenced its operations in 2005.

(b) Principal place of business

SK Furniture Industries' principal place of business is at Lot 19.A, Level 19, Top Glove Tower, No. 16, Persiaran Setia Dagang, Bandar Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor, Malaysia.

(c) Principal activities and products/services

SK Furniture Industries is principally involved in the business of trading of all types of furniture and related products.

(d) Share capital

As at the LPD, the issued share capital of SK Furniture Industries is RM1,560,000 comprising 1,560,000 ordinary shares.

6. INFORMATION ON OUR GROUP (CONT'D)

The changes in SK Furniture Industries' issued share capital since incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Cash consideration (RM)</u>	<u>Cumulative no. of shares</u>	<u>Cumulative share capital (RM)</u>
28 December 2004	2	Cash	2	2
13 June 2005	2,400	Other than cash ⁽¹⁾	2,402	2,402
8 March 2006	100,000	Cash	102,402	102,402
29 September 2006	100,000	Cash	202,402	202,402
1 June 2010	1	Cash	202,403	202,403
6 July 2012	190,000	Cash	392,403	392,403
3 December 2012	80,000	Cash	472,403	472,403
22 August 2019	827,597	Cash	1,300,000	1,300,000
15 October 2019	260,000	Cash	1,560,000	1,560,000

Note:

(1) Allotted and issued pursuant to capitalisation of book-debts.

(e) Shareholder

Upon completion of the Acquisitions, SK Furniture Industries became our wholly-owned subsidiary.

(f) Subsidiary or associated company

SK Furniture Industries does not have any subsidiary or associated company.

(iii) SH International**(a) Background and history**

SH International was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 31 March 2006 and deemed registered under the Act, under the name of Synerion Sdn Bhd and assumed its present name on 12 June 2006. SH International commenced its operations in 2007.

(b) Principal place of business

SH International's principal place of business is at Lot 19.A, Level 19, Top Glove Tower, No. 16, Persiaran Setia Dagang, Bandar Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor, Malaysia.

(c) Principal activities and products/services

SH International is principally involved in the business of trading of all types of furniture and related products.

6. INFORMATION ON OUR GROUP (CONT'D)**(d) Share capital**

As at the LPD, the issued share capital of SH International is RM50,000 comprising 50,000 ordinary shares.

The changes in SH International's issued share capital since incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Cash consideration (RM)</u>	<u>Cumulative no. of shares</u>	<u>Cumulative share capital (RM)</u>
31 March 2006	2	Cash	2	2
28 April 2015	998	Cash	1,000	1,000
23 October 2017	49,000	Cash	50,000	50,000

(e) Shareholder

Upon completion of the Acquisitions, SH International became our wholly-owned subsidiary.

(f) Subsidiary or associated company

SH International does not have any subsidiary or associated company.

6.5 PUBLIC TAKE-OVERS

None of the following has occurred during the last financial year up to the LPD:

- (i) Public take-over offers by third parties in respect of our Shares; and
- (ii) Public take-over offers by our Company in respect of other company's shares.

6.6 MATERIAL INVESTMENTS AND DIVESTITURES

Save as disclosed below, there are no material investments made by us for the Financial Years Under Review and up to the LPD.

<u>Description</u>	<u>AT COSTS</u> <u>FYE 31 December</u>				<u>Up to the LPD</u> <u>RM'000</u>
	<u>2019</u> <u>RM'000</u>	<u>2020</u> <u>RM'000</u>	<u>2021</u> <u>RM'000</u>	<u>2022</u> <u>RM'000</u>	
Freehold land	-	⁽¹⁾ 14,224	-	-	-
Freehold building	-	⁽¹⁾ 6,604	53	⁽²⁾ 7,541	-
Plant and machinery	128	-	377	⁽³⁾ 692	-
Motor vehicles	362	33	37	159	-
Furniture and fittings, office and computer equipment	100	178	801	⁽⁴⁾ 926	265
Renovations and signboard	3	91	22	249	119
Tools and equipment	3	132	237	318	493
Capital work in progress	-	-	11	⁽⁵⁾ 623	123
Total	596	21,262	1,538	10,508	1,000

6. INFORMATION ON OUR GROUP (CONT'D)**Notes:**

- (1) Refers to our warehouse located in Bandar Bukit Raja, Klang, Selangor, Malaysia which is not in use. For further details on said warehouse, please refer to Section 6.8.1 of this Prospectus.
- (2) Refers to our showroom and prototype assembly facilities located in Klang, Selangor, Malaysia. For further details on our showroom and prototype assembly facilities, please refer to Section 6.8.1 of this Prospectus.
- (3) The plant and machinery for the FYE 31 December 2022 mainly comprises of purchase of a testing machine and a carton cutting machine for use in the D&D process.
- (4) The furniture and fittings, office and computer equipment for the FYE 31 December 2022 mainly comprises of the following:
 - (a) purchase of furniture and fittings for the Group's office in Lot 18.A & 18.B, Level 18, Top Glove Tower, No. 16, Persiaran Setia Dagang, Bandar Setia Alam, Seksyen U13 40170 Shah Alam, Selangor;
 - (b) purchase of software licences utilised for the Group's design works; and
 - (c) purchase of new laptops and computers for employees.
- (5) The capital work in progress for the FYE 31 December 2022 were mainly from the purchase of a new testing machine which is pending commissioning and is expected to be commissioned by end April 2023.

The above material investments were financed primarily by a combination of finance leases, term loan and internally generated funds.

There were no material capital divestitures and write-offs made by us for the Financial Years Under Review and up to the LPD.

As at the LPD, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

6.7 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contract which is not in the ordinary course of our Group's business within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus:

- (i) SSA and Supplemental SSA entered into between the Company and SH Holdings for the acquisition of the entire issued share capital of SH Furniture, SK Furniture Industries and SH International by the Company from SH Holdings for a total purchase consideration of RM34,397,999.84 to be satisfied by way of issuance of 419,999,998 Shares to SH Holdings. The foregoing transaction has been completed on 20 January 2023. Please refer to Section 6.3 of this Prospectus for further details of the foregoing transaction.
- (ii) Sale and purchase agreements all dated 30 December 2020 for the acquisitions by SH Furniture from Southampton Property of the following properties:

Property	Purchase consideration (RM)
Prototype assembly facility	
Land held under H.S.(D) 116447, PT No. 276, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 223 square meters with an intermediate unit 1 ½ storey terrace factory erected thereon bearing postal address No. 17, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	410,000

6. INFORMATION ON OUR GROUP (CONT'D)

Property	Purchase consideration (RM)
Land held under H.S.(D) 116448, PT No. 277, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 223 square meters with an intermediate unit 1 ½ storey terrace factory erected thereon and bearing the postal address No. 19, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	410,000
Land held under H.S.(D) 116449, PT No. 278, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 223 square meters with an intermediate unit 1 ½ storey terrace factory erected thereon and bearing the postal address No. 21, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	410,000
Land held under H.S.(D) 116450, PT No. 279, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 223 square meters with an intermediate unit 1 ½ storey terrace factory erected thereon and bearing the postal address No. 23, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	410,000
Showroom	
Land held under H.S.(D) 116426, PT No. 255, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 183 square meters with a 3-storey terrace corner shop office erected thereon and bearing the postal address No. 2, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	550,000
Land held under H.S.(D) 116427, PT No. 256, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 4, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000
Land held under H.S.(D) 116428, PT No. 257, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 6, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000
Land held under H.S.(D) 116429, PT No. 258, Bandar Sultan Sulaiman, Bandar Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 8, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000

6. INFORMATION ON OUR GROUP (CONT'D)

Property	Purchase consideration (RM)
Land held under H.S.(D) 116430, PT No. 259, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 10, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000
Land held under H.S.(D) 116431, PT No. 260, Bandar Sultan Sulaiman, Bandar Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 12, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000
Land held under H.S.(D) 116432, PT No. 261, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 14, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000
Land held under H.S.(D) 116433, PT No. 262, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 16, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000
Land held under H.S.(D) 116434, PT No. 263, Bandar Sultan Sulaiman, Bandar Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 18, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000
Land held under H.S.(D) 116435, PT No. 264, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 20, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000

6. INFORMATION ON OUR GROUP (CONT'D)

Property	Purchase consideration (RM)
Land held under H.S.(D) 116436, PT No. 265, Bandar Sultan Sulaiman, Bandar Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 22, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000
Land held under H.S.(D) 116437, PT No. 266, Bandar Sultan Sulaiman, Bandar Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 24, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000
Land held under H.S.(D) 116438, PT No. 267, Bandar Sultan Sulaiman, Bandar Klang, Negeri Selangor measuring approximately 143 square meters with a 3-storey terrace intermediate shop office erected thereon and bearing the postal address No. 26, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	400,000
Land held under H.S.(D) 116439, PT No. 268, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor measuring approximately 195 square meters with a 3-storey terrace end shop office erected thereon and bearing the postal address No. 28, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor.	500,000

The foregoing transactions recorded in the table above have been completed on 29 June 2022.

- (iii) Sale and purchase agreement dated 15 December 2020 entered into between SH Furniture and Southampton Property for the acquisition of a land held under H.S.(D) 139748, PT 69175, Mukim Kapar, Daerah Klang, Negeri Selangor measuring approximately 8,412 square metres together with a factory erected thereon bearing postal address No. 7, Jalan Astana 1F/KU2, Bandar Bukit Raja, 41050 Klang, Selangor by SH Furniture from Southampton Property for a purchase consideration of RM20,000,000.00 to be satisfied by way of cash.

The foregoing transaction has been completed on 29 December 2020.

The purchase consideration of the properties under (ii) and (iii) above were arrived at after taking into consideration amongst others, our Group's internal estimate and preliminary checking with property valuers.

- (iv) Underwriting Agreement.

6. INFORMATION ON OUR GROUP (CONT'D)

6.8 MATERIAL PROPERTIES

6.8.1 Owned properties

As at the LPD, we own the following properties:

No.	Registered owner	Title / Postal address	Tenure	Description / Existing use	Date of CF / CCC	Land area / Built-up area (approximate)	Category of land use / Express condition / Restriction in interest	Material encumbrances	NBV as at the LPD (RM'000)
1.	SH Furniture	Title H.S.(D) 116426, PT 255, Bandar Sultan Sulaiman, Klang, Daerah Klang, Negeri Selangor Postal address No. 2, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace corner shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,981 sq. ft. Built-up area 6,009 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	502
2.	SH Furniture	Title H.S.(D) 116427, PT 256, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 4, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,550 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Registered owner	Title / Postal address	Tenure	Description / Existing use	Date of CF / CCC	Land area / Built-up area (approximate)	Category of land use / Express condition / Restriction in interest	Material encumbrances	NBV as at the LPD (RM'000)
3.	SH Furniture	Title H.S.(D) 116428, PT 257, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 6, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,550 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384
4	SH Furniture	Title H.S.(D) 116429, PT 258, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 8, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,550 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Registered owner	Title / Postal address	Tenure	Description / Existing use	Date of CF / CCC	Land area / Built-up area (approximate)	Category of land use / Express condition / Restriction in interest	Material encumbrances	NBV as at the LPD (RM'000)
5.	SH Furniture	Title H.S.(D) 116430, PT 259, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 10, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,550 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384
6.	SH Furniture	Title H.S.(D) 116431, PT 260, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 12, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,550 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Registered owner	Title / Postal address	Tenure	Description / Existing use	Date of CF / CCC	Land area / Built-up area (approximate)	Category of land use / Express condition / Restriction in interest	Material encumbrances	NBV as at the LPD (RM'000)
7.	SH Furniture	Title H.S.(D) 116432, PT 261, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 14, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,539 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384
8.	SH Furniture	Title H.S.(D) 116433, PT 262, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 16, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,539 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Registered owner	Title / Postal address	Tenure	Description / Existing use	Date of CF / CCC	Land area / Built-up area (approximate)	Category of land use / Express condition / Restriction in interest	Material encumbrances	NBV as at the LPD (RM'000)
9.	SH Furniture	Title H.S.(D) 116434, PT 263, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 18, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,539 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384
10.	SH Furniture	Title H.S.(D) 116435, PT 264, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 20, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,539 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Registered owner	Title / Postal address	Tenure	Description / Existing use	Date of CF / CCC	Land area / Built-up area (approximate)	Category of land use / Express condition / Restriction in interest	Material encumbrances	NBV as at the LPD (RM'000)
11.	SH Furniture	Title H.S.(D) 116436, PT 265, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 22, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,539 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384
12.	SH Furniture	Title H.S.(D) 116437, PT 266, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 24, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,539 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Registered owner	Title / Postal address	Tenure	Description / Existing use	Date of CF / CCC	Land area / Built-up area (approximate)	Category of land use / Express condition / Restriction in interest	Material encumbrances	NBV as at the LPD (RM'000)
13.	SH Furniture	Title H.S.(D) 116438, PT 267, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 26, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace intermediate shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 1,539 sq. ft. Built-up area 4,620 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	384
14.	SH Furniture	Title H.S.(D) 116439, PT 268, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 28, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 3-storey terrace end shop office Existing use Showroom	Date of CF 15 June 2001 ⁽¹⁾ Date of CCC 3 February 2023 ⁽¹⁾	Land area 2,099 sq. ft. Built-up area 6,300 sq. ft.	Category of land use Building Express condition Commercial building Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Ambank (M) Berhad	522

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Registered owner	Title / Postal address	Tenure	Description / Existing use	Date of CF / CCC	Land area / Built-up area (approximate)	Category of land use / Express condition / Restriction in interest	Material encumbrances	NBV as at the LPD (RM'000)
15.	SH Furniture	Title H.S.(D) 116447, PT 276, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 17, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 1½-storey intermediate terrace factory Existing use Prototype assembly facility	Date of CF 15 June 2001 ⁽²⁾ Date of CCC Not applicable ⁽²⁾	Land area 2,400 sq. ft. Built-up area 2,510 sq. ft.	Category of land use Enterprise Express condition Enterprise Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Small Medium Enterprise Development Malaysia Bank Berhad	344
16.	SH Furniture	Title H.S.(D) 116448, PT 277, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 19, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 1½-storey intermediate terrace factory Existing use Prototype assembly facility	Date of CF 15 June 2001 ⁽²⁾ Date of CCC Not applicable ⁽²⁾	Land area 2,400 sq. ft. Built-up area 2,510 sq. ft.	Category of land use Enterprise Express condition Enterprise Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Small Medium Enterprise Development Malaysia Bank Berhad	344

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Registered owner	Title / Postal address	Tenure	Description / Existing use	Date of CF / CCC	Land area / Built-up area (approximate)	Category of land use / Express condition / Restriction in interest	Material encumbrances	NBV as at the LPD (RM'000)
17.	SH Furniture	Title H.S.(D) 116449, PT 278, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 21, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 1½-storey intermediate terrace factory Existing use Prototype assembly facility	Date of CF 15 June 2001 ⁽²⁾ Date of CCC Not applicable ⁽²⁾	Land area 2,400 sq. ft. Built-up area 2,510 sq. ft.	Category of land use Enterprise Express condition Enterprise Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Small Medium Enterprise Development Malaysia Bank Berhad	344
18.	SH Furniture	Title H.S.(D) 116450, PT 279, Bandar Sultan Sulaiman, Daerah Klang, Negeri Selangor Postal address No. 23, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 30 June 2105	Description 1½-storey intermediate terrace factory Existing use Prototype assembly facility	Date of CF 15 June 2001 ⁽²⁾ Date of CCC Not applicable ⁽²⁾	Land area 2,400 sq. ft. Built-up area 2,510 sq. ft.	Category of land use Enterprise Express condition Enterprise Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to Small Medium Enterprise Development Malaysia Bank Berhad	344

6. INFORMATION ON OUR GROUP (CONT'D)

<u>No.</u>	<u>Registered owner</u>	<u>Title / Postal address</u>	<u>Tenure</u>	<u>Description / Existing use</u>	<u>Date of CF / CCC</u>	<u>Land area / Built-up area (approximate)</u>	<u>Category of land use / Express condition / Restriction in interest</u>	<u>Material encumbrances</u>	<u>NBV as at the LPD (RM'000)</u>
19.	SH Furniture	<p>Title H.S.(D) 139748, PT 69175, Mukim Kapar, Daerah Klang, Negeri Selangor</p> <p>Postal address No. 7, Jalan Astana 1F/KU2, Bandar Bukit Raja, 41050 Klang, Selangor</p>	Freehold	<p>Description Individually designed warehouse comprising of:</p> <p>(a) a 3-storey building;</p> <p>(b) a single storey warehouse annexed;</p> <p>(c) a guard house;</p> <p>(d) a pump house; and</p> <p>(e) a refuse chamber.</p> <p>Existing use Not in use⁽³⁾</p>	<p>Date of CF Not applicable</p> <p>Date of CCC 16 June 2017⁽³⁾</p>	<p>Land area 90,546 sq. ft.</p> <p>Built-up area <u>3-storey building</u> 18,988 sq. ft.</p> <p><u>Warehouse</u> 32,164 sq. ft.</p> <p><u>Guard house, pump house and refuse chamber</u> 336 sq. ft.</p>	<p>Category of land use Commercial</p> <p>Express condition Industrial</p> <p>Restriction in interest None</p>	Charged to HSBC Amanah Malaysia Berhad	20,594

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Registered owner	Title / Postal address	Tenure	Description / Existing use	Date of CF / CCC	Land area / Built-up area (approximate)	Category of land use / Express condition / Restriction in interest	Material encumbrances	NBV as at the LPD (RM'000)
20.	SH Furniture	Title H.S.(M) 42043, PT 65625, Mukim Kapar, Daerah Klang, Negeri Selangor Postal address Persiaran Sultan Alauddin KU17, Kawasan Perindustrian Bandar Sultan Sulaiman Fasa 4, 42000, Pelabuhan Klang, Selangor	Leasehold of 99 years expiring on 7 December 2110	Description A parcel of land Existing use Vacant	Not applicable ⁽⁴⁾	Land area 310,456 sq. ft. Built-up area Not applicable ⁽⁵⁾	Category of land use Enterprise/Industrial Express condition Medium enterprise Restriction in interest The land shall not be transferred, leased or charged without the consent of the State Authority	Charged to CIMB Bank Berhad	21,505

Notes:

(1) Our Group's Showroom was issued with a CF by Majlis Perbandaran Klang ("**MPK**") on 15 June 2001 based on its approved building plan.

Alteration and renovation works were done to the Showroom prior to our Group entering into the conditional sale and purchase agreements all dated 30 December 2020 with Southampton Property, whereby Southampton Property informed our Group that the Showroom was acquired from the previous owner in December 2017 and renovations had already commenced prior to the acquisition by Southampton Property. As a result of the said alteration and renovation works done to the Showroom, a new CCC is required for the Showroom.

We had on 9 June 2022 obtained the planning permission in relation for such works done ("**Showroom Planning Permission**") as well as the approval from the Fire and Rescue Department of Malaysia ("**Bomba**") on 7 July 2022. Subsequently, our Group had obtained the approved building plan from MPK ("**MPK Approval**") and was required to pay RM18,720 on 19 October 2022 as alteration and renovation works were done to the Showroom without prior approval of MPK. The payment of RM18,720 was fully settled on 21 October 2022. Following the MPK Approval, our Group was issued with a new CCC for the Showroom ("**New Showroom CCC**") on 3 February 2023.

The application for the New Showroom CCC was not submitted before the commencement of the alteration and renovation works as our Group had no knowledge that a CCC would be required for the relevant alteration and renovation works done at the point in time.

(2) Our Prototype Assembly Facilities was issued with a CF by MPK on 15 June 2001 based on its approved building plan.

6. INFORMATION ON OUR GROUP (CONT'D)

In relation to the alteration and renovation works done to the Prototype Assembly Facilities, our Group was imposed a payment of RM3,870 on 28 January 2022 as the Group had commenced the relevant alteration and renovation works done to the Prototype Assembly Facilities without prior approval of the MPK. The payment of RM3,870 was fully settled on 10 February 2022. Subsequently, we have on 21 February 2022 obtained MPK's endorsement on the revised building plan for such renovation works. No CCC was issued by MPK as the renovation works done to the Prototype Assembly Facilities were minor.

- (3) *Our Group's warehouse located at No. 7, Jalan Astana 1F/KU2, Bandar Bukit Raja, 41050 Klang, Selangor ("**Warehouse**") was issued with a CCC by MPK on 16 June 2017 based on its approved building plan.*

*Prior to 30 March 2023, our Warehouse was used by our Group to store inventories for our local B2C sales. However, although our Warehouse was regarded as a designated premises pursuant to the Fire Services (Designated Premises) Order 1988, it has not been issued a fire certificate ("**Fire Certificate**") as required under section 33 of the Fire Services Act 1988 ("**FSA**"). Under the FSA, operating the warehouse without a Fire Certificate could result in a fine not exceeding RM50,000 ("**Warehouse Penalty**"). Our Group submitted the relevant applications to Bomba in relation to the Fire Certificate on 29 August 2022. As at the LPD, Bomba is still in the midst of processing our submissions. Our Group expects to obtain the Fire Certificate by end of 2023. Our Group will make the relevant announcement(s) on Bursa Securities on any material developments in relation to the Fire Certificate, including upon obtaining Bomba's decision on the Fire Certificate.*

Nevertheless, the absence of a Fire Certificate is not expected to have a material adverse impact on the Group's business operations as:

- (i) the Warehouse is not in use as our Group has relocated all our inventories stored at the Warehouse to our Designated Third Party Manufacturer's Premises ("**Relocation**").*
- (ii) our Group incurred a one-off transportation cost of approximately RM38,000 for the Relocation ("**Transportation Cost**"). The Group also expects to incur additional costs of approximately RM156,000 per year comprising mainly staff relocation allowance for 6 employees as a result of the Relocation ("**Additional Cost**"). The Transportation Cost and Additional Cost is less than 0.9 % of our Group's PBT for the FYE 31 December 2022.*
- (iii) the Relocation did not cause disruption in the fulfilment of our local B2C orders as there was no delay in our fulfilment schedule to our local B2C customers. Following the Relocation, our Group continues to operate our fulfilment services for our Group's local B2C sales by utilising the Designated Third Party Manufacturer's Premises without any impact to our business operations. Kindly refer to Section 7.7 of the Prospectus in relation to the fulfilment process for our local B2C sales.*
- (iv) Notwithstanding that the book value of the Warehouse comprises 15.76% of our Group's total assets as at 31 December 2022, the absence of a Fire Certificate is not expected to have a material impact on our Group's business operations due to the following:*
 - (a) prior to the Relocation, the Warehouse was only used to store inventories for our Group's local B2C sales since the commencement of its operations in late 2020. Our Group's local B2C sales for the FYE 31 December 2021 and FYE 31 December 2022 were only approximately 5.6% and 5.3% respectively of our Group's revenue.*
 - (b) prior to the Relocation, only approximately 7.5% of our Group's total inventories amounting to RM2.02 million as at the FYE 31 December 2022 were stored at the Warehouse while the rest of our Group's inventories are mainly stored at other third party e-commerce fulfilment centres located overseas.*
- (v) our Group's insurance policies covers the Group's inventories stored at the third party manufacturer's premises. Further details of the insurance coverage are set out in Section 9.1.3 of this Prospectus; and*

6. INFORMATION ON OUR GROUP (CONT'D)

(vi) *the total cost to obtain the fire certificate for the Warehouse is estimated to be approximately RM112,000 comprising mainly consultant fees (“Warehouse Fire Certificate Cost”). In the event we are not able to obtain the Fire Certificate, the Warehouse Fire Certificate Cost and Warehouse Penalty is less than 0.7% of our Group’s PBT for the FYE 31 December 2022.*

Following the Relocation, our Group does not have any plans for the Warehouse at this juncture. However, upon the issuance of the Fire Certificate, we will decide on the appropriate use of the Warehouse which is in the best interest of the Company, taking into consideration the requirements of our Group at the relevant point of time.

(4) *The property is a parcel of land without any structures built on thus there is no requirement to obtain a CCC at this juncture.*

6.8.2 Rented properties

As at the LPD, the following properties are rented for our operations:

<u>Landlord</u>	<u>Tenant</u>	<u>Postal address</u>	<u>Description / Existing use</u>	<u>Date of CF / CCC</u>	<u>Land area / Built-up area / Rental area (approximate)</u>	<u>Tenure</u>	<u>Rental per annum (RM'000)</u>
Southampton Property	SH Furniture	No. 36, Jalan Sultan Abdul Samad 45, Bandar Sultan Sulaiman, 42000 Klang, Selangor	Description 1 storey terrace house Existing use Hostel	Date of CF 27 November 2001 Date of CCC Not applicable	Land area 1,200 sq. ft. Built-up area 700 sq. ft.	1 January 2023 to 31 December 2023	8.40
Zainal Bin Hamit	SH Furniture	No. 25, Jalan Sultan Abdul Samad 46, Bandar Sultan Sulaiman, 42000 Klang, Selangor	Description 1 storey terrace house Existing use Hostel	Date of CF 19 June 2003 Date of CCC Not applicable	Land area 1,200 sq. ft. Built-up area 700 sq. ft.	1 January 2023 to 31 December 2024	10.20

6. INFORMATION ON OUR GROUP (CONT'D)

Landlord	Tenant	Postal address	Description / Existing use	Date of CF / CCC	Land area / Built-up area / Rental area (approximate)	Tenure	Rental per annum (RM'000)
Southampton Property	SH Furniture	No. 11 and 15, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Description 1½-storey intermediate terrace factory Existing use Storage	Date of CF 15 June 2001 Date of CCC Not applicable	Land area 2,400 sq. ft. each unit Built-up area 2,510 sq. ft. each unit	1 January 2023 to 31 December 2023	63.60
JBP Development Sdn Bhd	SH Furniture	No. 9, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor	Description 1½-storey intermediate terrace factory Existing use Storage	Date of CF 15 June 2001 Date of CCC Not applicable	Land area 2,400 sq. ft. Built-up area 2,510 sq. ft.	1 January 2023 to 31 December 2023	31.80
Top Glove Properties Sdn Bhd	SH Furniture	Lot 19.A, Level 19, Top Glove Tower No. 16, Persiaran Setia Dagang Bandar Setia Alam, Seksyen U13 40170 Shah Alam Selangor	Description Office tower Existing use Head office	Date of CF Not applicable Date of CCC 24 June 2015	Land area Not available ⁽¹⁾ Built-up area Not available ⁽¹⁾ Rental area 4,719 sq. ft.	15 March 2020 to 14 June 2023	147.23
Top Glove Properties Sdn Bhd	SH Furniture	Lot 18.A & 18B Level 18, Top Glove Tower No. 16, Persiaran Setia Dagang Bandar Setia Alam, Seksyen U13 40170 Shah Alam Selangor	Description Office tower Existing use Head office	Date of CF Not applicable Date of CCC 24 June 2015	Land area Not available ⁽¹⁾ Built-up area Not available ⁽¹⁾ Rental area 9,598 sq. ft.	1 June 2022 to 31 May 2025	322.49

6. INFORMATION ON OUR GROUP (CONT'D)

<u>Landlord</u>	<u>Tenant</u>	<u>Postal address</u>	<u>Description / Existing use</u>	<u>Date of CF / CCC</u>	<u>Land area / Built-up area / Rental area (approximate)</u>	<u>Tenure</u>	<u>Rental per annum (RM'000)</u>
My EG Lodging Sdn Bhd	SH Furniture	Unit 7A, Mystay Hostel, Lorong Sultan Mohamed 25A/KU17, Bandar Sultan Suleiman, 42000 Pelabuhan KLang	Description 3-storey terrace intermediate shop office Existing use Hostel	Date of CF 15 June 2001 Date of CCC Not applicable	Land area Not available ⁽²⁾ Built-up area Not available ⁽²⁾ Rental area 1,540 sq. ft	1 March 2023 to 29 February 2024	30.72

Notes:

- (1) We are renting 3 units in the Top Glove Tower and do not have access to the land area in which it is built on and its built-up area.
- (2) We are renting 1 unit of the hostel from the landlord and do not have access to the land area in which it is built and its built-up area.

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7. BUSINESS OVERVIEW

7.1 HISTORY AND MILESTONES

Commencement of our business as a furniture manufacturer

Our history can be traced back to the incorporation of Malgames Industries Sdn Bhd on 27 July 1990 by Teh Eng Lee, Teh Ah Leh @ Teh Kwee Leong, Teh Kwee Chuan, Tan Kau Tiah @ Tan Ching Hai, Tan Eu Tee, Yew Ah Kow and Teh Kim Lan who are family members and relatives of our Executive Directors, Tan Eu Tah and Teh Yee Luen. In the early years of our business, we were involved in the manufacturing of small wooden furniture such as stools and chairs, and wooden toys such as rocking horses and carrom boards.

Expansion of our product range to include RTA home furniture and expansion of our export market

In 1997, our Executive Director, Tan Eu Tah, who was identified as the successor to his father, Tan Kau Tiah @ Tan Ching Hai, joined our Group as General Manager where he mainly assisted his father in setting our Group's business direction and implementing our Group's business strategies. In 1999, our Executive Director, Teh Yee Luen, joined our Group as Marketing Manager, whereby he was mainly responsible for managing our Group's marketing initiatives, as well as exploring business opportunities to expand our Group's furniture export market. Bringing with them their insights in the global furniture market through market research and observations during their tertiary studies in the USA, Tan Eu Tah and Teh Yee Luen began to lead our Group's expansion into the design, development and manufacturing of RTA home furniture using wood panel products (e.g. medium-density fibreboard, particle board and plywood).

The move to use wood panel products for the manufacturing of our home furniture was to help ensure the sustainability of our Group's business, as opposed to using solid wood which is typically sourced from natural forest or plantation where we may face supply constraints in the future. Further, this was also in line with our Group's business strategy to supply home furniture suited to smaller houses as a result of increasing urbanisation and the trend of smaller homes built in and around major cities globally.

In addition, through sales and marketing strategies led by Teh Yee Luen, we successfully expanded our export markets from 1999 onwards. During this period, our sales model was solely B2B whereby our customer base comprised chain-store retailers and wholesalers, and our products were all labelled under third party brand names.

Transformation of our business from furniture manufacturing to focus on furniture D&D

In view of the growing sales of our RTA home furniture and with the intention to scale up our business, Tan Eu Tah and Teh Yee Luen, embarked on a transformation initiative to drive the expansion and growth of our business in 2004 by transforming our business model from the manufacturing of home furniture to solely focus on the design, development and sale of home furniture, with manufacturing works fully outsourced to third party manufacturers. Our management believed that this transformation initiative would eliminate any manufacturing limitations, and unlock more growth opportunities to expand our business in tapping the global furniture market.

7. BUSINESS OVERVIEW (CONT'D)

In 2004, as the initial step of the transformation initiative, our company underwent a name change from Malgames Industries Sdn Bhd to Synergy House Furniture Sdn Bhd to reposition our Group as a company focusing on the design, development and sale of home furniture. This was followed by the implementation of 2 key initiatives that contributed to the success of our business transformation, as follows:

- **Establishment of a dedicated in-house D&D team**

As we aspired to become an industry player fully focused on the design, development and sale of home furniture, we recognised the importance of having in-house capabilities to continuously develop and launch new home furniture designs to respond to the demand from global consumers along with changing market preferences. In 2004, we established a dedicated in-house D&D team, to focus on the development of new home furniture designs.

- **Outsourcing our manufacturing works as well as building and strengthening relationships with third party manufacturers**

Since 1999, we gradually outsourced parts of our manufacturing works to third party manufacturers, and we have maintained relationships with these third party manufacturers to support our business.

In 2004, we started to fully outsource our manufacturing works for our home furniture to third party manufacturers, to enable us to solely focus on the design, development and sale of home furniture. In the same year, whilst retaining certain machinery for assembling prototypes in the D&D process, we disposed our production lines, thereby successfully transforming our business model to focus on the design, development and sale of home furniture. Based on our business transactions in the Financial Years Under Review up until the LPD, we have engaged approximately 57 third party manufacturers cumulatively which are mainly from Malaysia, China, Indonesia and Vietnam that we outsource our manufacturing works to.

Further expansion of our export markets and range of offerings to include bedroom furniture specifically designed for children

In 2004, we further expanded our export markets to more countries to expand our market reach for the sale of our home furniture. In 2005, we expanded the range of our bedroom furniture to include bedroom furniture specifically designed for children such as bunk beds and study desks. These furniture were labelled under third party brand names.

In 2006, Tan Eu Tah and Teh Yee Luen acquired the entire equity stake in SH Furniture from former shareholders who are family members and relatives.

Establishment of our own brand of bedroom furniture for children and adoption of a B2C sales model

After accumulating the relevant experience in designing bedroom furniture for children for third party brand names, our Group launched our own brand of bedroom furniture for children, namely TOMATO KidZ, in December 2011.

In recognition of the increasing popularity of e-commerce in the furniture industry, in 2012, we set up our first in-house online store at www.tomatokidz.com to directly market and sell our in-house branded TOMATO KidZ home furniture to end-consumers in Malaysia.

7. BUSINESS OVERVIEW (CONT'D)

Further, between 2019 and 2020, we established and began selling our products directly to end consumers in Malaysia via our online stores, namely TOMATO KidZ, TOMATO Home and Synergy House Furniture on 2 third party e-commerce platforms, Lazada and Shopee. Our products sold on these third party e-commerce platforms are labelled under our own brand names, such as Synergy House. Additionally, in 2020, we set up another in-house online store at www.synergytomato.com which markets and sells a wider range of our in-house branded products (i.e. TOMATO KidZ and Synergy House) directly to end-consumers in Malaysia as compared to our first in-house online store at www.tomatokidz.com which only sold TOMATO KidZ branded products. Products sold on our in-house online store at www.tomatokidz.com were delivered to our end-consumers. Products sold on our in-house online store at www.synergytomato.com are available for self pick-up at our showroom or prototype assembly facility. Other than our self pick-up service, end-consumers also have the option of getting their orders delivered directly to them through a third party logistics service provider.

The establishment of our in-house online stores and online stores on third party e-commerce platforms marked the start of our B2C sales model. This has allowed our Group to have direct contact with end-consumers, enabling us to gather first-hand information and insights on consumer preferences as valuable inputs for our product development, as a means for further driving our business growth. In December 2021, we ceased the operation of our first in-house online store at www.tomatokidz.com with the intention to gradually phase out the sale of our in-house branded TOMATO KidZ products which are mainly kids furniture targeting a more niche market, and shifted our focus on selling affordable RTA home furniture with a larger target market on third party e-commerce platforms and our other in-house online store at www.synergytomato.com. Subsequently, in March 2023, we ceased the sale of our TOMATO KidZ branded products for our B2C sales.

In 2020, we expanded the geographical coverage of our B2C sales to the USA when we began to market and sell our products under third party brand names to end-consumers through Customer C Group's e-commerce platform in the USA.

Subsequently, in 2022, we further expanded our B2C sales in the USA, Canada and the UK by marketing and selling our products to end-consumers in these countries through more third party e-commerce platforms, namely Amazon in the USA, Canada and the UK, as well as Customer C Group's e-commerce platforms in Canada and the UK. Our products sold through Amazon in the USA, Canada and the UK are under our in-house brand names whereas products sold through Customer C Group's e-commerce platforms in Canada and the UK are under third party brand names. Further, in the same year, we have also engaged an e-commerce solution provider known as Cenports Commerce Inc ("**Cenports**") to sell our in-house branded products in the USA through e-commerce platforms owned or operated by various third parties who allow Cenports to sell products through their platforms. Moreover, we have also expanded our B2C sales in Malaysia by marketing and selling our products under our in-house brand names to end-consumers in Malaysia through an additional e-commerce platform known as WOWSHOP.

7. BUSINESS OVERVIEW (CONT'D)

7.2 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS**7.2.1 Our principal activities and business model**

We are principally involved in the design, development and sale of RTA home furniture. RTA home furniture is a form of furniture where furniture parts are in flat-packed form for ease of storage and transportation. RTA home furniture requires customers to assemble themselves upon purchase.

We sell our RTA home furniture to online retailers, chain-store retailers and wholesalers via a B2B sales model, as well as directly to end-consumers through our in-house online store and third party e-commerce platforms via a B2C sales model. Our home furniture sold via B2B sales model are branded under third party brand names whereas home furniture sold via B2C sales model can either be branded under our in-house brand names or third party brand names. Our home furniture are widely sold and marketed online whereby our home furniture sold to online retailers under our B2B sales model are subsequently sold to end-consumers through their respective e-commerce platforms. Further, chain-store retailers will mainly sell our home furniture to end-consumers in physical stores, and/or through e-commerce platforms if established whereas home furniture sold to wholesalers may be distributed to retailers for onward sales to end-consumers.

The wide acceptance of our products on e-commerce platforms is attributed to the affordable pricing of RTA home furniture due to the usage of wood panel products, comprising primarily medium-density fibreboard, particle board and plywood, for the manufacturing of our home furniture as opposed to solid wood, and cost efficiency for logistics and easy transportation as they are packaged in flat-packed form. This is also in line with the growth of the global furniture e-commerce market. Details on the growth of the global furniture e-commerce market are set out in Section 8 of this Prospectus. In addition, our RTA home furniture are generally designed for smaller homes. The detailed arrangements with our B2B and B2C customers are set out in Section 7.4 of this Prospectus.

The range of RTA home furniture offered by our Group comprises bedroom furniture, living room furniture and dining room furniture. Our expertise in designing RTA home furniture covers the key aspects in furniture design, including conceptualisation, product development, testing and product launch. This is backed by our in-house D&D team which is involved in all aspects in furniture design, supported by our sales and marketing team. Our D&D team stays abreast of changing consumer lifestyles and preferences as well as market trends globally, and incorporates inputs and feedback from our sales and marketing team gathered from our customers, to continuously develop innovative home furniture that suit the latest demand from consumers globally.

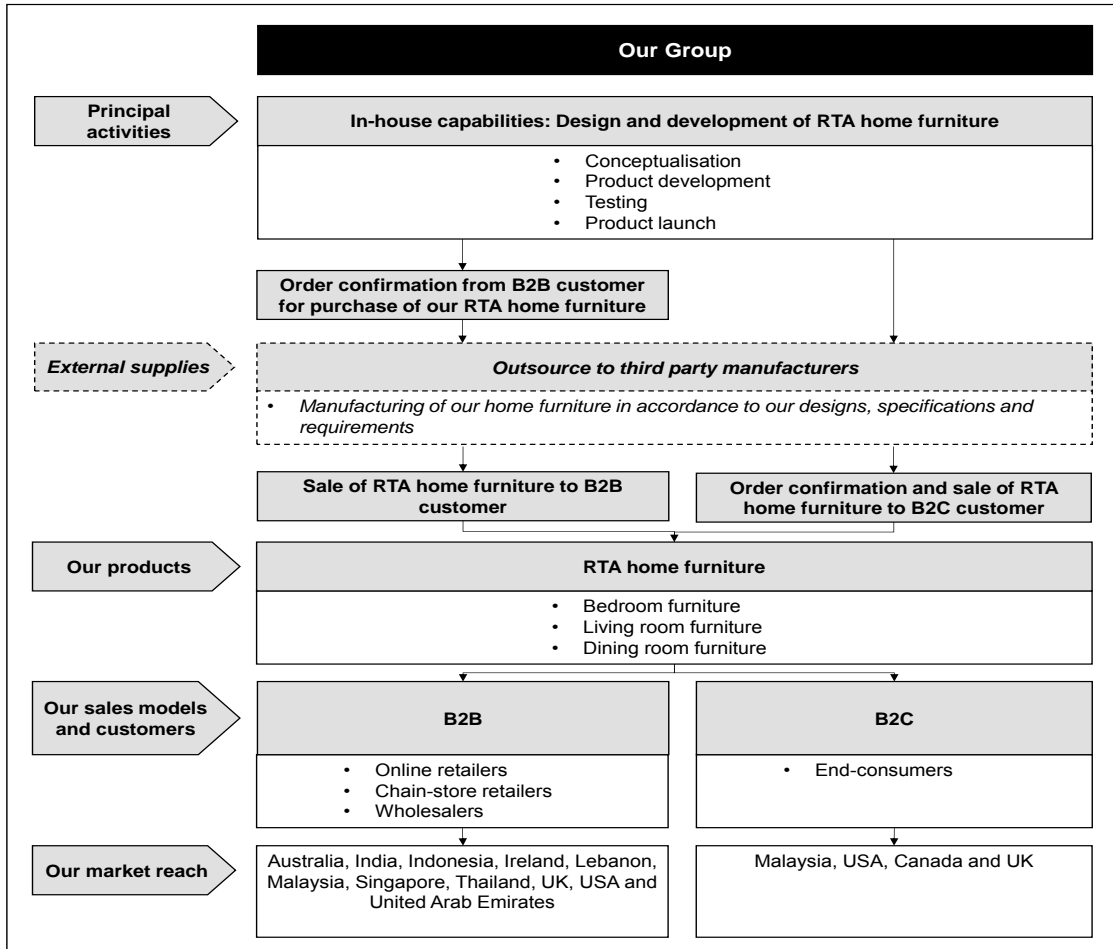
During the D&D process, apart from the functionality and aesthetic values of the furniture, we also consider market acceptance of the products in local and various overseas markets, as well as cost analysis, pricing strategies and product differentiation, amongst others. All the aforementioned considerations are crucial to determine the optimised furniture to be launched for sale. Further details on our D&D activities are set out in Section 7.11 of this Prospectus.

As we focus on the design, development and sale of RTA home furniture, we do not manufacture our home furniture, and we outsource all manufacturing works of our home furniture to third party manufacturers where they are responsible for purchasing raw materials, manufacturing and packaging of our home furniture in accordance to our designs, specifications and requirements. The outsourcing of the manufacturing works for our home furniture enables our Group to maintain a lean operational structure and focus on product development. It also allows us to be flexible in accepting more customer orders as we are not limited by production capacity for the manufacturing works. The detailed arrangements with third party manufacturers are set out in Section 7.5 of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

Our products are sold locally and exported overseas. In the Financial Years Under Review up until the LPD, for sales to B2B customers, we primarily export our home furniture to the UK, the USA, United Arab Emirates and other countries as well as sell to local customers in Malaysia. As for sales to B2C customers, our home furniture are sold to local end-consumers in Malaysia through third party e-commerce platforms and our in-house online store, and to end-consumers in the USA, Canada and the UK through third party e-commerce platforms.

Our principal activities can be summarised in the business model below:



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7. BUSINESS OVERVIEW (CONT'D)

7.2.2 Our products

We design, develop and sell RTA home furniture which uses wood panel products comprising primarily medium-density fibreboard, particle board and plywood. Our products comprise of bedroom furniture, living room furniture and dining room furniture, with examples of each category as follows:

Bedroom furniture

Wardrobes, study desks, chest drawers, night stands and beds



Living room furniture

Television cabinets, sideboards, and coffee tables



Dining room furniture

Dining tables, dining chairs and benches



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7. BUSINESS OVERVIEW (CONT'D)

7.2.3 Warranty, return and refund policy

The warranty policy for our B2B customers and return and refund policy for our B2C customers are as follows:

(i) B2B sales

For our sales to B2B customers (i.e. online retailers, chain-store retailers and wholesalers), it is common practice for our Group to not have a warranty policy against defects for our products. In cases where our customers notify us about any defects such as scratches or broken parts, we will first investigate the cause(s) of the defects and decide the next course of action. As a general practice, for defects caused by our third party manufacturers during the manufacturing and packaging process, our Group will report the defects to the third party manufacturers responsible and claim the defects from the respective third party manufacturers, and thereafter provide product replacements or issuance of credit notes to our customers. Our Group has not entered into any agreement with our third party manufacturers which contain clauses or terms dealing with product liability claims.

For defects caused by improper handling of products by third parties, such as logistics service providers during the storage and delivery process, our Group will report the defects to the party responsible, and either direct the customers to claim defects from the party responsible or claim the defects from the party responsible on behalf of our customers.

We are not liable for any defects caused by normal wear and tear, wilful damage, negligence, abnormal working conditions, failure to follow our instructions (oral or written in terms of usage, installation, handling and functions), misuse or alteration or repair of our products without our approval.

(ii) B2C sales

For our sales to B2C customers (i.e. end-consumers), our Group adheres to the return and refund policies of the respective third party e-commerce platforms that we market and sell our products in. Further, we have also established a return and refund policy for our in-house online store at www.synergytomato.com. In cases where our customers request for a refund and/or return of our products through the third party e-commerce platforms and/or our in-house online store at www.synergytomato.com due to reasons such as product defects, receipt of incomplete or wrong orders and/or change of mind, a refund and/or a return will be given to our customers subject to the terms and conditions of the respective third party e-commerce platforms and/or our approval. Further, we may also provide replacement of our products to our customers due to reasons such as product defects, and receipt of incomplete or wrong orders.

7. BUSINESS OVERVIEW (CONT'D)

In the Financial Years Under Review, the combined total of our manufacturing defect claims, returns and refunds for our B2B and B2C segments were RM47,731.42, RM160,246.39, RM155,934.20 and RM426,351.34 respectively, which represented 0.04%, 0.13%, 0.08% and 0.22% of our total revenue for the respective years. The combined total of our manufacturing defect claims, returns and refunds for our B2B and B2C segments increased by 173.42% or RM270,417.14 from RM155,934.20 in FYE 31 December 2021 to RM426,351.34 in FYE 31 December 2022 mainly due to higher revenue from our B2C segment which recorded an increase of 100.28% from RM24.78 million in FYE 31 December 2021 to RM49.63 million in FYE 31 December 2022, as well as accumulated manufacturing defect claims, returns and refunds amounting to approximately RM0.11 million for orders delivered to a B2B customer. These accumulated manufacturing defect claims, returns and refunds were in relation to orders delivered to the B2B customer in FYE 31 December 2020 and FYE 31 December 2021 which were claimed all at once by the B2B customer in FYE 31 December 2022. There was no claim by this B2B customer prior to FYE 31 December 2022.

The breakdown of our manufacturing defect claims, returns and refunds by sales model in the Financial Years Under Review is as follows:

Sales model	FYE 31 December			
	2019	2020	2021	2022
	RM	RM	RM	RM
B2B	47,731.42	153,671.87	53,036.66	134,939.44
B2C	-	6,574.52	102,897.54	291,411.90
Total	47,731.42	160,246.39	155,934.20	426,351.34

7.2.4 Our operational facilities

As at the LPD, our business operations are based in Malaysia with the following facilities:

Facilities	Function	Location
Headquarters	To carry out administration, finance and design	Lot 18.A & 18.B & Lot 19.A, Level 18 & 19, Top Glove Tower, No. 16, Persiaran Setia Dagang, Bandar Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor
Showroom	To display our sample home furniture	Nos. 2, 4, 6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 26 & 28, Lorong Sultan Mohamed, 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor

7. BUSINESS OVERVIEW (CONT'D)

Facilities	Function	Location
Prototype assembly facility	To assemble prototypes for our home furniture designs as per our D&D team's design requirements and specifications whereby the prototypes will be used as display and/or handed over to third party manufacturers as a sample for mass manufacturing as well as preorder confirmation by customers	Nos. 17, 19, 21 & 23, Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor

7.3 COMPETITIVE STRENGTHS

Our competitive strengths are important in sustaining our business and providing our Group with future growth opportunities.

(i) Our business model enables us to focus on product development and sales and marketing

As our Group outsources the manufacturing process of our home furniture to third party manufacturers, we do not need to invest in and maintain a full suite of machinery or equipment and do not need to hire and manage a production team required for the manufacturing of our products. In view of our outsourcing arrangements, we are not limited by manufacturing capacity which provides us the flexibility to expand our product offerings to cater to the ever-changing market trend and to serve and fulfil more customers' orders.

As such, we are able to focus our resources on developing our D&D capabilities, which results in us being able to provide an array of offerings and designs across bedroom furniture, living room furniture and dining room furniture. This also provides us the capacity to explore and develop new designs using different materials as we can engage with various third party manufacturers to manufacture our home furniture based on our design requirements and material specifications. This may not be possible had we manufactured our home furniture in-house due to restrictions such as limitations in our machinery and equipment. As at the LPD, we have 2,047 designs of home furniture available for sale to our customers (excluding designs which have been discontinued).

Further, by outsourcing the manufacturing process of our home furniture, it also allows us to focus our resources on our sales and marketing activities. As such, we can thus implement sales and marketing strategies to retain our existing customers, attract potential customers as well as expand our market reach to other countries. Moreover, as part of our sales and marketing strategies, we offer our home furniture at affordable prices suitable for customers with smaller houses and/or customers with specific budgets.

As we are able to focus our resources on product development and sales and marketing, our Group believes that our business model will continue to serve as a foundation for our future growth and expansion.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Our design capabilities allow us to consistently launch new home furniture designs to suit the latest market trends and consumer preferences

As we market and sell our products locally and to foreign markets, our Group recognises the importance of offering home furniture with varieties and styles to suit the latest market trends and consumer preferences in these different markets. Hence, we consistently develop and launch new designs with different specifications and enhanced functionality and appearance. During the Financial Years Under Review, we developed and launched 360, 695, 660 and 1,030 new designs of home furniture for the respective years. We regularly review the sales performance of each design launched and designs recording lower sales will be discontinued. The number of new designs of home furniture increased by 56.06% from 660 new designs in FYE 31 December 2021 to 1,030 new designs in FYE 31 December 2022 which is in line with the growth and expansion of our B2C sales segment where more new designs of home furniture were developed as our Group expanded our B2C sales to more third party e-commerce platforms and countries including Amazon in the USA, Canada and the UK, as well as Customer C Group's e-commerce platforms in Canada and the UK during the FYE 31 December 2022.

Our D&D team determines and develops new designs based on their extensive understanding on the market demand for furniture in terms of furniture requirements and ergonomics such as functionality, space saving, design and comfort of furniture, as well as inputs and feedback from our sales and marketing team gathered from our B2B customers and direct contact with end-consumers through B2C sales. Further, our D&D team also takes into consideration the marketability and acceptance of the new designs, from the perspective of costing, pricing and product differentiation, amongst others. This has allowed us to consistently develop relevant home furniture to cater to the latest market trends and consumer preferences in local and foreign markets. Please refer to Section 7.11 (i) of this Prospectus on further details in the development of new home furniture designs.

As our home furniture are primarily manufactured in RTA (flat packed) form, it enables us to price our home furniture affordably as our RTA home furniture are primarily made of wood panel products such as plywood, particle board and medium-density fibreboard. Additionally, our home furniture are packaged and shipped in flat packed form to local and foreign markets which significantly enhances cost efficiency for logistics, thus contributing to the competitive pricing of our home furniture.

Our continuous launching of new designs by our D&D team has helped us to maintain and/or improve our competitive edge in the domestic and global furniture markets, and is expected to continue to help us to expand our range of home furniture designs, attracting more customers from both local and foreign markets.

(iii) We operate a B2C sales model as one of our sales channels, making us well-positioned to capitalise on the growing global furniture e-commerce market

As disclosed in the IMR Report, global furniture e-commerce sales grew from USD59.43 billion (RM246.20 billion) in 2019 to USD82.41 billion (RM341.62 billion) in 2021, at a CAGR of 17.76%. Revenue from our B2C segment in Malaysia increased from RM1.99 million in FYE 31 December 2019 to RM10.37 million in FYE 31 December 2021, at a CAGR of 128.28%. Further, revenue from our B2C segment in the USA increased by 1,142.24% from RM1.16 million in FYE 31 December 2020 to RM14.41 million in FYE 31 December 2021.

7. BUSINESS OVERVIEW (CONT'D)

E-commerce platforms have become an alternative retail platform to physical stores that allow consumers to shop for a wide range of products conveniently through their desktop or mobile devices, without being physically present at the retailers' physical stores. The outbreak of the COVID-19 pandemic has boosted e-commerce as more consumers shop online more frequently in view of movement restrictions and lockdowns imposed in many countries globally. In addition, consumers were driven to shop through e-commerce platforms to avoid shopping in physical stores to minimise the risk of infection. The widespread use of e-commerce has extended to include the sale and purchase of furniture through the internet. As such, furniture e-commerce has been increasingly popular as consumers are able to conveniently browse and purchase furniture online. *(Source: IMR Report)*

Anticipating the positive outlook of the global furniture e-commerce market, our Group has set up several online stores throughout the years since 2012. As at the LPD, we sell our home furniture directly to end-consumers in Malaysia on third party e-commerce platforms including Lazada and Shopee, as well as on our in-house online store at www.synergytomato.com. Further, we sell our home furniture to end-consumers in the USA, Canada and the UK through third party e-commerce platforms, including Customer C Group's e-commerce platforms in the USA, Canada and the UK and Amazon in the USA, Canada and the UK. Please refer to Section 7.4 of this Prospectus for more information on our B2C sales model. Our presence on multiple third party e-commerce platforms as well as in-house online store with different geographical coverage and market reach enable us to expand our customer reach and product exposure to customers who commonly browse these e-commerce platforms when making purchases online.

In view of the growing popularity of online purchases of furniture, our Group believes that we are well-positioned to capitalise on the growing global furniture e-commerce market to grow and expand our business, as it is also one of our business strategies to expand our B2C segment as set out in Section 7.19 of this Prospectus. This is expected to grow our customer reach in B2C segment, which will in turn contribute to the overall growth and expansion of our business, and eventually enhance our reputation and position in the furniture industry.

(iv) We have an established industry network and long term relationships with our customers and suppliers

Our Group has established an industry network with industry players in the furniture industry, particularly our long term relationships with customers and suppliers which have enabled us to remain competitive in the furniture industry.

Among our top 5 major customers for the FYE 31 December 2022 as set out in Section 7.15 of this Prospectus, these major customers have been with us for an average of about 9 years. Our ability to maintain long term relationships with our customers is attributed to our capability in designing home furniture that meet our customers' requirements and preferences.

We have also established and maintained long term relationships with our suppliers, which mainly comprise third party manufacturers whom we outsource our home furniture manufacturing process to, furniture raw material suppliers and suppliers of raw materials for the assembly of our prototypes, and home furnishings. Among our top 5 major suppliers for the FYE 31 December 2022 as set out in Section 7.16 of this Prospectus, these major suppliers have been with us for an average of about 6 years. The long term relationships that we have established with our third party manufacturers allow us to source for third party manufacturing works effectively in terms of pricing, quality and lead time.

7. BUSINESS OVERVIEW (CONT'D)

Our long term relationships with customers have sustained our growth over the years and simultaneously allowed us to develop our reputation in the furniture industry as we continue to meet their demands and requirements. Meanwhile, our long term relationships with suppliers especially third party manufacturers also support our Group's business growth through their quality manufacturing services. Our Group believes that our established industry network and long term relationships with customers and suppliers will continue to propel us forward as our business expands.

(v) We have an experienced and hands-on Key Senior Management team

Our Group is led by our Key Senior Management team that has accumulated years of experience in their respective field and key expertise, industry experience and/or in-depth knowledge of our business operations.

Our Executive Directors, Tan Eu Tah and Teh Yee Luen, have approximately 26 years and 24 years of experience in the furniture industry respectively. Their technical and industry knowledge are instrumental in steering the overall strategic direction and business development of our Group. Further, the daily business operations of our Group is also supported by our Key Senior Management, Ng Boon Kean Kenneth and Tan Yee Chi who have approximately 13 years and 20 years of working experience in the accounting and finance industry and marketing industry, respectively.

Our Key Senior Management have in-depth knowledge and capabilities as a result of years of experience in their respective fields. Further, each of our Key Senior Management takes an active, hands-on role in spearheading their respective departments to support the growth of our Group. As a result, there is a transference of skills and knowledge to employees at all levels in our organisational structure. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand our business operations.

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7. BUSINESS OVERVIEW (CONT'D)

7.4 OUR CUSTOMERS

Sales to customers under our B2B and B2C sales models are detailed as follows:

(i) B2B customers

In our B2B sales model, our home furniture are sold to online retailers, chain-store retailers and wholesalers in bulk based on purchase orders from these customers; and are labelled under third party brand names determined by our customers. Online retailers will then sell the products to end-consumers through e-commerce platforms; while chain-store retailers will mainly sell the products to end-consumers in physical stores, and/or through e-commerce platforms. Further, our home furniture sold to wholesalers may be distributed to retailers for onward sales to end-consumers.

The transportation costs of our furniture sales to these customers from departure ports to final destinations are borne by the customers. The transportation costs from our third party manufacturers' factories to the departure ports are borne either by our third party manufacturers or by our Group.

(ii) B2C customers

In our B2C sales model, our home furniture are sold to end-consumers directly through our in-house online store at www.synergytomato.com and third party e-commerce platforms. Our products sold on our in-house online store are all labelled under our in-house brands such as Synergy House. On the other hand, depending on the requirements of each third party e-commerce platform operator, our products may be labelled under our in-house brands or under third party brand names (i.e. product names determined by Customer C Group). As at the LPD, our products are available for sale on our in-house online store and several main third party e-commerce platforms with the respective details as follows:

E-commerce platform/ in-house online store	Geographical coverage/ market reach	Commence sales since	Brand	E-commerce fulfilment centre location
Lazada	Malaysia	2019	In-house ⁽¹⁾	Designated Third Party Manufacturer's Premises located in Malaysia ⁽²⁾
Shopee	Malaysia	2020	In-house ⁽¹⁾	Designated Third Party Manufacturer's Premises located in Malaysia ⁽²⁾

7. BUSINESS OVERVIEW (CONT'D)

E-commerce platform/ in-house online store	Geographical coverage/ market reach	Commence sales since	Brand	E-commerce fulfilment centre location
Customer C Group's e-commerce platforms	USA	2020	Third party (product names determined by Customer C Group)	Customer C Group's 17 e-commerce fulfilment centres located in several states in the USA, namely California, Florida, Georgia, Illinois, Kentucky, Maryland, New Jersey and Texas ⁽³⁾
	Canada	2022		Customer C Group's 1 e-commerce fulfilment centre located in Ontario, Canada ⁽³⁾
	UK	2022		Customer C Group's 1 e-commerce fulfilment centre located in Lutterworth, UK ⁽³⁾
In-house online store at <i>www.synergytomato.com</i>	Malaysia	2020	In-house ⁽¹⁾	Designated Third Party Manufacturer's Premises located in Malaysia ⁽²⁾
Amazon	USA	2022	In-house ⁽¹⁾	<ul style="list-style-type: none"> Amazon's 65 e-commerce fulfilment centres located in several states in the USA, namely Arizona, Arkansas, California, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Washington and Wisconsin⁽⁴⁾ 4 e-commerce fulfilment centres located in several states in the USA, namely California, Georgia and New Jersey owned and operated by 2 Appointed Third Party Logistics Service Providers⁽⁵⁾
	Canada	2022		Amazon's 2 e-commerce fulfilment centres located in British Columbia and Ontario, Canada ⁽⁴⁾
	UK	2022		<ul style="list-style-type: none"> Amazon's 7 e-commerce fulfilment centres located in Bedford, Chesterfield, Derby, Doncaster, Knottingley and Wolverhampton, UK⁽⁴⁾

7. BUSINESS OVERVIEW (CONT'D)

E-commerce platform/ in-house online store	Geographical coverage/ market reach	Commence sales since	Brand	E-commerce fulfilment centre location
				<ul style="list-style-type: none"> 1 e-commerce fulfilment centre located in Cannock, UK owned and operated by 1 Appointed Third Party Logistics Service Provider⁽⁶⁾

Notes:

- (1) *In-house brand refers to brand names (i.e. TOMATO KidZ, Synergy House and/or GALANO) and 143 product collection names (e.g. AURORA, BERNIE, DONNA, GENOA and PRESTON) as at the LPD determined by our Group. In March 2023, we ceased the sale of our TOMATO KidZ branded products for our B2C sales.*
- (2) *In March 2023, we have relocated our inventories from our Warehouse to the Designated Third Party Manufacturer's Premises located in Malaysia. Please refer to Section 6.8.1 of this Prospectus for further details on the Warehouse. The Designated Third Party Manufacturer's Premises located in Malaysia refers to one of our third party manufacturers' premises in Malaysia which we have designated to store the inventories for our local B2C sales and serve as an e-commerce fulfilment centre supporting our sales transacted through third party e-commerce platforms (e.g. Lazada and Shopee) and our in-house online store at www.synergytomato.com. Once orders for our products are placed by end-consumers in the third party e-commerce platforms, we will pick the corresponding products from our Designated Third Party Manufacturer's Premises located in Malaysia and arrange for delivery to end-consumers using third party logistics service providers where the transportation costs are typically borne by end-consumers. Further, for orders placed by end-consumers in our in-house online store, we will retrieve the corresponding products from our Designated Third Party Manufacturer's Premises located in Malaysia which will then be delivered to our showroom or prototype assembly facility for end-consumers to collect via self pick-up service. Alternatively, if requested by end-consumers, we may deliver our products directly from our Designated Third Party Manufacturer's Premises to our end-consumers through a third party logistics service provider.*
- (3) *The third party e-commerce fulfilment centres located in the USA, Canada and the UK supporting the sales transacted through Customer C Group's e-commerce platforms in the USA, Canada and the UK are operated by Customer C Group's appointed logistics entities. We pay Customer C Groups's appointed logistics entities service fees for their storage and fulfilment (i.e. pick and pack) services in their e-commerce fulfilment centres in the USA, Canada and the UK. The storage and fulfilment service fees paid to Customer C Group's appointed logistics entities accounted for 3.84%, 13.75% and 10.81% of our Group's revenue derived from the sales transacted through Customer C Group's e-commerce platforms in the USA, Canada and/or the UK in the FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022 respectively. The third party e-commerce fulfilment centres located in the USA, Canada and the UK are used for the storage of our inventory and for Customer C Group's appointed logistics entities to carry out the fulfilment of our end-consumers' orders on behalf of our Group. We ship our products to the third party e-commerce fulfilment centres located in the USA, Canada and the UK where the transportation costs are borne by our Group, and we maintain a certain level of inventory in the respective third party e-commerce fulfilment centres. Once orders for our products are placed by end-consumers, Customer C Group's appointed logistics entities will pick the corresponding products from their respective e-commerce fulfilment centres and arrange for delivery to end-consumers where the transportation costs are typically borne by end-consumers.*

7. BUSINESS OVERVIEW (CONT'D)

- (4) *The third party e-commerce fulfilment centres located in the USA, Canada and the UK supporting the sales transacted through Amazon in the USA, Canada and the UK are operated by Amazon.com Services LLC (for USA), Amazon.com.ca, Inc. (for Canada) and Amazon Services Europe S.à.r.l (for UK). We pay Amazon.com Services LLC, Amazon.com.ca, Inc. and Amazon Services Europe S.à.r.l service fees for their storage and fulfilment (i.e. pick and pack and last mile delivery) services in their respective e-commerce fulfilment centres in the USA, Canada and the UK. The storage and fulfilment service fees paid to Amazon.com Services LLC accounted for 13.68% of our Group's revenue derived from the sales transacted through Amazon in the USA in FYE 31 December 2022 whereby our Group secured our first sales through Amazon in the USA in May 2022. The storage and fulfilment service fees paid to Amazon.com.ca, Inc. accounted for 57.35% of our Group's revenue derived from the sales transacted through Amazon in Canada in FYE 31 December 2022 whereby our Group secured our first sales through Amazon in Canada in September 2022. The storage and fulfilment service fees paid to Amazon.com.ca, Inc. were relatively higher as compared to the storage and fulfilment service fees paid to other e-commerce fulfilment centres used by us due to higher initial transportation costs of delivering our products to customers in Canada. The storage and fulfilment service fees paid to Amazon Services Europe S.à.r.l accounted for 14.91% of our Group's revenue derived from the sales transacted through Amazon in the UK in FYE 31 December 2022 whereby our Group secured our first sales through Amazon in the UK in December 2022. The third party e-commerce fulfilment centres are used for the storage of our inventory in the USA, Canada and the UK and for Amazon.com Services LLC, Amazon.com.ca, Inc. and Amazon Services Europe S.à.r.l to carry out the fulfilment of our end-consumers' orders on behalf of our Group. We ship our products to the third party e-commerce fulfilment centres where the transportation costs are borne by our Group, and we maintain a certain level of inventory in the respective third party e-commerce fulfilment centres. Once orders for our products are placed by end-consumers, Amazon.com Services LLC, Amazon.com.ca, Inc. and Amazon Services Europe S.à.r.l will pick the corresponding products from their respective e-commerce fulfilment centres and arrange for delivery to end-consumers where the transportation costs are typically included in the price of our products sold to end-consumers.*
- (5) *The third party e-commerce fulfilment centres located in the USA supporting the sales transacted through Amazon in the USA are operated by 2 third party logistics service providers who are not part of Amazon's group of companies ("**Appointed Third Party Logistics Service Providers**"). We pay the 2 Appointed Third Party Logistics Service Providers service fees for their storage and fulfilment (i.e. pick and pack) services in their e-commerce fulfilment centres. The storage and fulfilment service fees paid to the 2 Appointed Third Party Logistics Service Providers collectively accounted for 12.82% of our Group's revenue derived from the sales transacted through Amazon in the USA in FYE 31 December 2022. Our Group has engaged with the 2 Appointed Third Party Logistics Service Providers for their storage and fulfilment services since April 2022 and August 2022 respectively. The third party e-commerce fulfilment centres are used for the storage of our inventory in the USA and for the 2 Appointed Third Party Logistics Service Providers to carry out the fulfilment of our end-consumers' orders on behalf of our Group. We ship our products to the third party e-commerce fulfilment centres located in the USA, where the transportation costs are borne by our Group, and we maintain a certain level of inventory in the respective third party e-commerce fulfilment centres. Once orders for our products are placed by end-consumers, the Appointed Third Party Logistics Service Providers will pick the corresponding products from their e-commerce fulfilment centres and arrange for delivery to end-consumers where the transportation costs are typically included in the price of our products sold to end-consumers.*
- (6) *The third party e-commerce fulfilment centre located in the UK supporting the sales transacted through Amazon in the UK is operated by an Appointed Third Party Logistics Service Provider. We pay the Appointed Third Party Logistics Service Provider service fees for the storage and fulfilment (i.e. pick and pack) services in its e-commerce fulfilment centre. Our Group has engaged with the Appointed Third Party Logistics Service Provider for its storage and fulfilment services in the UK since early 2023. The third party e-commerce fulfilment centre is used for the storage of our inventory in the UK and for the Appointed Third Party Logistics Service Provider to carry out the fulfilment of our end-consumers' orders on behalf of our Group. We ship our products to the third party e-commerce fulfilment centre located in the UK, where the transportation costs are borne by our Group, and we maintain a certain level of inventory in the third party e-commerce fulfilment centre. Once orders for our products are placed by end-consumers, the Appointed Third Party Logistics Service Provider will pick the corresponding products from its e-commerce fulfilment centre and arrange for delivery to end-consumers where the transportation costs are typically included in the price of our products sold to end-consumers.*

7. BUSINESS OVERVIEW (CONT'D)

Notwithstanding that we market and sell our products directly to end-consumers through third party e-commerce platforms including Lazada, Shopee, Customer C Group's e-commerce platforms in the USA, Canada and the UK as well as Amazon in the USA, Canada and the UK, the sales revenue generated are transacted with the respective e-commerce platform operators, with the sequence of events as detailed below:

- We list a range of our products for sale on third party e-commerce platforms and maintain a certain level of inventory in the Designated Third Party Manufacturer's Premises located in Malaysia and the respective third party e-commerce fulfilment centres located in the USA, Canada and the UK.
- Orders for our products are placed by end-consumers and the payment for the orders are paid by the end-consumers to the respective third party e-commerce platform operators through the payment gateways of their respective e-commerce platforms.
- The orders from customers are received electronically via the respective third party e-commerce platforms. The orders placed on third party e-commerce platforms in Malaysia are managed and processed by our Group whereas orders placed on third party e-commerce platforms in the USA, Canada and the UK are managed and processed by the respective e-commerce platform operators.
- Once orders are received, our products are delivered directly to the end-consumers from the Designated Third Party Manufacturer's Premises located in Malaysia or third party e-commerce fulfilment centres located in the USA, Canada and the UK.
- Our sales to end-consumers are confirmed if there are no product returns after the stipulated refund and return periods.

Our Group sells our products to end-consumers directly via Lazada's, Shopee's and Amazon's respective e-commerce platforms based on retail prices determined by us. Our sales transacted via Lazada's, Shopee's and Amazon's e-commerce platforms are concluded based on confirmed sales on a daily basis, and thereafter we receive the nett sales amount (i.e. total sales less the commission fees charged by Lazada and Shopee or total sales less the commission fees as well as storage and fulfilment service fees charged by Amazon) from Lazada, Shopee and Amazon respectively.

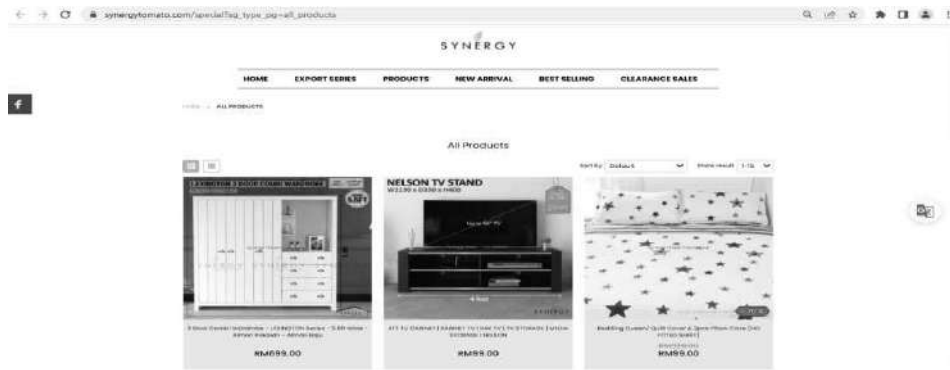
As for Customer C Group's e-commerce platforms in the USA, Canada and the UK, we determine the products to be sold on the e-commerce platforms. End-consumers in the USA, Canada and the UK then purchase our products from Customer C Group's e-commerce platforms in the USA, Canada and the UK at retail prices determined by Customer C Group. The retail prices of our products are determined by Customer C Group based on the wholesale prices set by us to Customer C Group. Our sales transacted via Customer C Group's e-commerce platforms in the USA, Canada and the UK are concluded based on confirmed sales on a daily basis. Based on these sales, we issue invoices to Customer C Group based on wholesale prices. Customer C Group refers to a group of companies which is principally involved in the retail of furniture and home goods online including the operations of e-commerce platforms to retail these products as well as the operations of e-commerce fulfilment centres to store and fulfil customer orders placed on Customer C Group's e-commerce platforms. The holding company of Customer C Group is a public listed company incorporated in the USA and listed on the New York Stock Exchange. Attempts to obtain Customer C Group's consent to disclose its information in the Prospectus were unsuccessful. As such, Customer C Group's name has not been disclosed.

Communications with end-consumers on Lazada's, Shopee's, Customer C Group's and Amazon's e-commerce platforms, particularly sales and product inquiries, are handled directly by our internal sales and marketing team based in Malaysia.

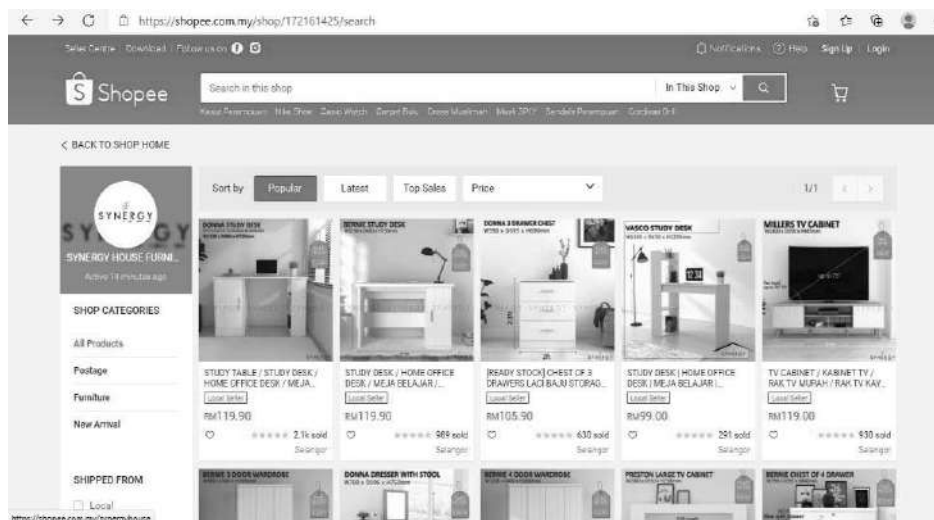
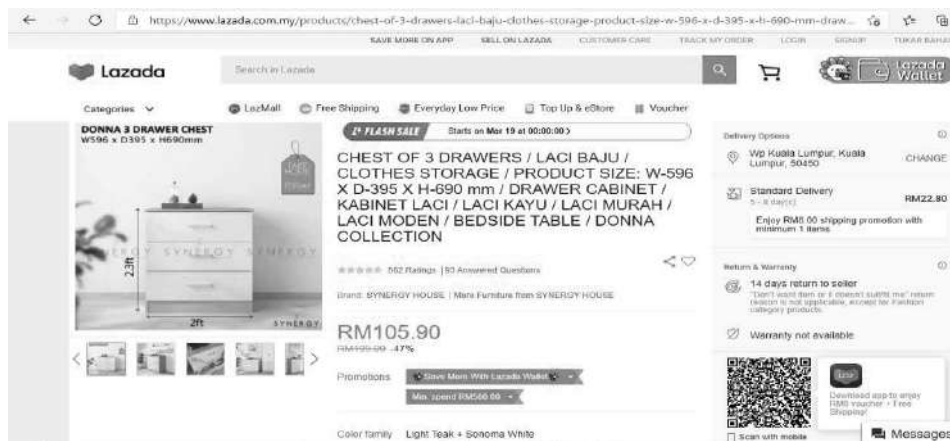
7. BUSINESS OVERVIEW (CONT'D)

Examples of our products displayed on our in-house online store and third party e-commerce platforms are as follows:

In-house online store



Third party e-commerce platforms



7. BUSINESS OVERVIEW (CONT'D)

Examples of our products displayed on our in-house online store and third party e-commerce platforms are as follows (cont'd):

Third party e-commerce platforms (Cont'd)



7.5 OUR THIRD PARTY MANUFACTURERS

We outsource all manufacturing works of our home furniture to third party manufacturers, where they are responsible for the purchasing of raw materials, manufacturing and packaging of our home furniture in accordance to our designs, specifications and requirements. Subsequently, our home furniture will be delivered directly from our third party manufacturers' premises to our B2B customers; or to the Designated Third Party Manufacturer's Premises to be stored as inventory for our local B2C sales; or to the respective third party e-commerce fulfilment centres located in the USA, Canada and the UK for our overseas B2C sales. Please refer to Section 7.7 of this Prospectus for further information on our delivery arrangements.

The third party manufacturers engaged by our Group for the manufacturing of our home furniture are evaluated and selected based on their pricing, production capabilities in manufacturing home furniture based on our specifications, product quality (i.e. in terms of minimal defects on home furniture) and ability to deliver within the stipulated timeframe (i.e. lead time). We also carry out annual review on our third party manufacturers to evaluate the quality of their products and services throughout the year to ensure the quality of the products produced for our customers.

We have engaged approximately 57 third party manufacturers cumulatively for the manufacturing of our home furniture based on our business transactions in the Financial Years Under Review and up to the LPD, of which 38 third party manufacturers are Malaysian companies and 19 third party manufacturers are foreign companies mainly from China, Indonesia and Vietnam.

7. BUSINESS OVERVIEW (CONT'D)

The following table depicts the number of third party manufacturers that we engaged with in the respective Financial Years Under Review:

Countries	Number of third party manufacturers			
	FYE 31 December			
	2019	2020	2021	2022
Malaysia	19	24	30	28
China	10	7	6	5
Indonesia	2	2	2	2
Vietnam	2	2	1	1
Hong Kong	1	1	1	1
Singapore	-	-	1	1
Total	34	36	41	38

In the event that any of our existing third party manufacturers face difficulties in fulfilling our customers' orders on time, we may coordinate with our other existing local and/or overseas third party manufacturers to reassign and fulfil the orders on time.

7.6 BUSINESS, PRODUCT AND GEOGRAPHIC SEGMENTATION

In the Financial Years Under Review, our B2B sales contributed 98.21%, 95.67%, 86.56% and 74.43% to our Group's total revenue respectively, while our B2C sales accounted for 1.79%, 4.33%, 13.44% and 25.57% to our Group's total revenue respectively.

The breakdown of our Group's revenue by sales model in the Financial Years Under Review is as follows:

Sales model	FYE 31 December							
	2019		2020		2021		2022	
	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
B2B	109,492	98.21	117,572	95.67	159,515	86.56	144,466	74.43
<u>Overseas</u>								
UK	89,190	80.00	91,280	74.28	77,993	42.32	82,110	42.30
United Arab Emirates	12,137	10.89	14,569	11.86	27,645	15.00	22,557	11.62
USA	1,614	1.45	7,799	6.34	49,509	26.86	36,765	18.94
Others ⁽¹⁾	6,551	5.87	3,801	3.09	4,355	2.37	3,013	1.55
<u>Local</u>								
Malaysia	-	-	123	0.10	13	0.01	21	0.02
B2C	1,990	1.79	5,319	4.33	24,777	13.44	49,627	25.57
<u>Overseas</u>								
USA	-	-	1,161	0.95	14,409	7.82	38,959	20.07
Canada	-	-	-	-	-	-	157	0.08
UK	-	-	-	-	-	-	177	0.10

7. BUSINESS OVERVIEW (CONT'D)

	FYE 31 December							
	2019		2020		2021		2022	
Sales model	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
Local								
Malaysia	1,990	1.79	4,158	3.38	10,368	5.62	10,334	5.32
Total revenue	111,482	100.00	122,891	100.00	184,292	100.00	194,093	100.00

Notes:

- (1) Others comprise of Ireland, Australia and Asian countries, i.e., Indonesia, India, Thailand, Singapore and Lebanon.
- The classifications of our Group's revenue by geographical market are based on the locations of our Group's customers.

In the Financial Years Under Review, our bedroom furniture contributed 60.29%, 64.14%, 67.29% and 67.44% to our Group's total revenue respectively; our living room furniture contributed 26.14%, 27.70%, 28.62% and 29.13% to our Group's total revenue respectively; and our dining room furniture contributed 13.57%, 8.16%, 4.09% and 3.43% to our Group's total revenue respectively.

The breakdown of our Group's revenue by product in the Financial Years Under Review is as follows:

	FYE 31 December							
	2019		2020		2021		2022	
Product	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
Bedroom furniture	67,208	60.29	78,818	64.14	124,005	67.29	130,898	67.44
Living room furniture	29,141	26.14	34,042	27.70	52,745	28.62	56,544	29.13
Dining room furniture	15,133	13.57	10,031	8.16	7,542	4.09	6,651	3.43
Total revenue	111,482	100.00	122,891	100.00	184,292	100.00	194,093	100.00

In the Financial Years Under Review, our export sales contributed 98.21%, 96.52%, 94.37% and 94.66% to our Group's total revenue respectively, while our local sales accounted for 1.79%, 3.48%, 5.63% and 5.34% to our Group's total revenue respectively. Among our export markets, the UK was the main contributor as it contributed 80.00%, 74.28%, 42.32% and 42.40% to our Group's total revenue respectively in the Financial Years Under Review.

7. BUSINESS OVERVIEW (CONT'D)

The breakdown of our Group's revenue by geographical market in the Financial Years Under Review is as follows:

Geographical market	FYE 31 December							
	2019		2020		2021		2022	
	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
Overseas								
UK	89,190	80.00	91,280	74.28	77,993	42.32	82,287	42.40
United Arab Emirates	12,137	10.89	14,569	11.86	27,645	15.00	22,557	11.62
USA	1,614	1.45	8,960	7.29	63,918	34.68	75,724	39.01
Others ⁽¹⁾	6,551	5.87	3,801	3.09	4,355	2.37	3,170	1.63
Subtotal	109,492	98.21	118,610	96.52	173,911	94.37	183,738	94.66
Malaysia	1,990	1.79	4,281	3.48	10,381	5.63	10,355	5.34
Total revenue	111,482	100.00	122,891	100.00	184,292	100.00	194,093	100.00

Notes:

- (1) Others comprise of Ireland, Australia, Canada and Asian countries, i.e., Indonesia, India, Thailand, Singapore and Lebanon.
- The classifications of our Group's revenue by geographical market are based on the locations of our Group's customers.

In the Financial Years Under Review, our in-house branded home furniture contributed 1.79%, 3.38%, 5.62% and 6.24% to our Group's total revenue respectively; and our third party branded home furniture contributed 98.21%, 96.62%, 94.38% and 93.76% to our Group's total revenue respectively.

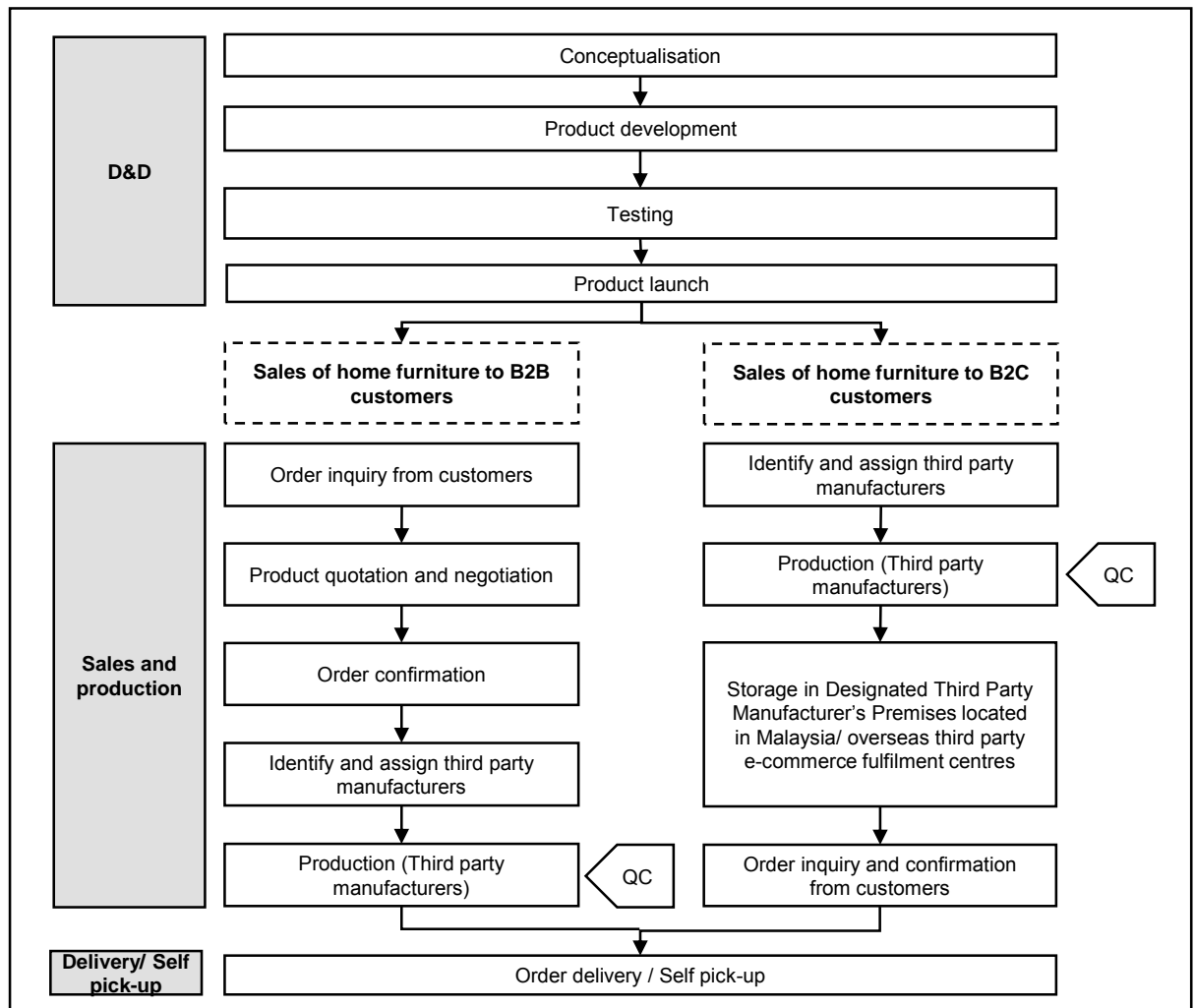
The breakdown of our Group's revenue by in-house brand and third party brand in the Financial Years Under Review is as follows:

Brand	FYE 31 December							
	2019		2020		2021		2022	
	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
In-house brand								
B2B	-	-	-	-	-	-	-	-
B2C	1,990	1.79	4,158	3.38	10,368	5.62	12,114	6.24
Subtotal	1,990	1.79	4,158	3.38	10,368	5.62	12,114	6.24
Third party brand								
B2B	109,492	98.21	117,572	95.67	159,515	86.56	144,466	74.43
B2C	-	-	1,161	0.95	14,409	7.82	37,513	19.33
Subtotal	109,492	98.21	118,733	96.62	173,924	94.38	181,979	93.76
Total revenue	111,482	100.00	122,891	100.00	184,292	100.00	194,093	100.00

7. BUSINESS OVERVIEW (CONT'D)

7.7 OPERATIONAL PROCESS

The typical process flow of our Group's operations is as depicted below:



Note:

- QC: Quality control ("QC") procedures are in place.

(i) D&D

Our D&D team continuously designs home furniture with new and innovative designs as well as enhanced functionality to suit the ever-changing market needs and preferences for the respective countries that we market and sell our products to. Following this, we develop prototypes and testing will be carried out on the prototypes to ensure their features, functionality and durability are as specified. Once the prototypes are approved by our QC department and D&D department, our sales and marketing team will prepare for the launching of the new designs. Please refer to Section 7.11 of this Prospectus for further information regarding our D&D activities.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Sales and production

(a) Sales of home furniture to B2B customers

Upon receipt of inquiry from potential B2B customers (i.e. online retailers, chain-store retailers and wholesalers), we will prepare quotations according to the inquired quantities, furniture types and/or specifications, for our customers to review. Once our customers agree with our quotations, the sales orders will be confirmed with the issuance of purchase orders by our customers.

Upon issuance of the purchase orders, we will proceed to identify and assign suitable third party manufacturers, depending on their production capabilities and capacities, to manufacture the required products in accordance to the purchase orders.

Thereafter, the assigned third party manufacturers will be responsible for handling all stages of the production process of our home furniture which include materials purchasing, manufacturing, packaging as well as labelling the products with third party brand names.

In order to ensure that the products manufactured by our third party manufacturers meet the required specifications and quality standards, our in-house QC team or our appointed third party QC service providers will conduct quality checks at all stages of the production process in the factory premises. Please refer to Section 7.8 of this Prospectus for further details on our QC procedures.

(b) Sales of home furniture to B2C customers

Prior to the sales of home furniture to B2C customers (i.e. end-consumers), we will first determine the product designs that we wish to produce and sell to end-consumers directly through our in-house online store and third party e-commerce platforms. Once the product designs have been determined and approved by our management, we will identify and assign suitable third party manufacturers to manufacture the products. Thereafter, the assigned third party manufacturers will be responsible for handling all stages of the production process of our home furniture according to the quantity specified by us.

For products listed and sold to end-consumers directly through third party e-commerce platforms, the products may be labelled under our in-house brand names or third party brand names depending on the requirements of the respective third party e-commerce platforms. On the other hand, products listed and sold directly through our in-house online store are labelled under our in-house brand names.

In order to ensure that the products manufactured by our third party manufacturers meet our required specifications and quality standards, our in-house QC team or our appointed third party QC service providers will conduct quality checks at all stages of the production process in the factory premises. Please refer to Section 7.8 of this Prospectus for further details on our QC procedures. Upon completion of production process and quality checks, our products will be delivered and stored in our Designated Third Party Manufacturer's Premises located in Malaysia or third party e-commerce fulfilment centres in the USA, Canada and the UK to be kept as our inventory for our B2C sales.

Upon receipt of order inquiry and confirmation from our B2C customers (i.e. end-consumers) for our home furniture through our in-house online store or third party e-commerce platforms, sales orders will then be processed for delivery to or self pick-up by customers.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Delivery/ Self pick-up

Before delivering our home furniture to our B2B customers, a final pre-shipment inspection will be conducted in our third party manufacturers' factory premises to ensure the correct home furniture are being packaged and meet our required quality standards. The final check for our products manufactured by our third party manufacturers is conducted by our in-house QC team or our appointed third party QC service providers. Upon completion of final inspections, our home furniture will be delivered from our third party manufacturers' factory premises to our B2B customers according to schedule.

For the delivery of home furniture to our B2C customers (i.e. end-consumers) who ordered through third party e-commerce platforms, our home furniture are retrieved from the Designated Third Party Manufacturer's Premises located in Malaysia or respective overseas third party e-commerce fulfilment centres according to the customers' sales orders and are delivered directly from our Designated Third Party Manufacturer's Premises located in Malaysia or overseas third party e-commerce fulfilment centres to our customers' doorsteps. As for orders from our in-house online store, our home furniture are retrieved from our Designated Third Party Manufacturer's Premises located in Malaysia according to the customers' sales orders and are subsequently delivered to our showroom or prototype assembly facility to be picked up by our customers via self pick-up service. Alternatively, if requested by end-consumers, our products may be delivered through a third party logistics service provider to our customers.

7.8 QC

Our Group has established stringent QC procedures to be followed by our third party manufacturers, from receipt of materials to the packaging of finished products. Our stringent QC procedures aim to uphold the quality of our products and minimise defects to meet our customers' standards and requirements, thereby helping us to maintain customer satisfaction.

The QC procedures established for our third party manufacturers include the followings:

- (i) Ensuring materials purchased meet our required specifications and quality standards;
- (ii) Ensuring quality checks are being conducted stringently at every stage of their manufacturing processes;
- (iii) Inspecting the quality of the finished products in terms of, amongst others, product appearance, construction, finishing quality as well as ease of assembly; and
- (iv) Ensuring the finished products are securely packaged to prevent damages during transportation.

We conduct quality checks on all stages of the production processes of our newly sourced third party manufacturers who are manufacturing our products for the first time, and carry out annual review on our existing third party manufacturers to evaluate the quality of their products and services throughout the year. Additionally, we also conduct pre-shipment inspection and quality checks on our products for each shipment before delivering to our customers or to the Designated Third Party Manufacturer's Premises located in Malaysia or respective overseas third party e-commerce fulfilment centres.

7. BUSINESS OVERVIEW (CONT'D)

We have an in-house QC team which conducts quality checks in all our third party manufacturers' factory premises in Malaysia to ensure that the products manufactured adhere to our quality standards as well as satisfy our design specifications. Further, we also outsource our QC function to third party QC service providers to perform pre-shipment inspection and quality checks on our products for each shipment in our third party manufacturers' factory premises that are located outside of Malaysia mainly in China, Indonesia and Vietnam. As at the LPD, we have engaged 2 third party QC service providers which are companies based in Malaysia which will travel to our third party manufacturers' factory premises that are located outside Malaysia to perform pre-shipment inspection and quality checks on behalf of our Group.

7.9 TECHNOLOGY USED

Our Group uses, and will continue to use, the following technologies in our business:

(i) Computer-aided design (“CAD”) software

CAD software (e.g. SOLIDWORKS and GstarCAD) is used by our D&D team for the conceptualisation, design and drawing of our home furniture. It enables a higher precision and better accuracy of 3-dimensional (“3D”) furniture drawing.

(ii) 3D printer

3D printer is a machine used to construct 3D objects from CAD models by layering down many successive layers of a material. It is used by our D&D team to create prototypes for the accessories of our home furniture such as handles, brackets and knobs.

7.10 SALES AND MARKETING ACTIVITIES

Our Group's sales and marketing team is involved in the sales and marketing of our Group's home furniture, as well as building and maintaining long-term relationships with our customers from both local and foreign markets.

Our sales and marketing strategies are as follows:

(i) Dedicated and customer-oriented sales and marketing personnel

Our sales and marketing personnel are responsible for the advertising, promotion and sales of our Group's home furniture, as well as maintaining relationships with customers. They are also responsible for liaising with existing and potential customers, providing them with information on our Group's products as well as addressing their sales needs. In addition, our sales and marketing personnel are constantly in touch with our existing customers to gather first-hand information and feedback, where the information gathered from our customers will be used as reference for us to better understand the latest market trends and consumer preferences, which eventually helps us to stay innovative and design more relevant and up-to-date home furniture.

7. BUSINESS OVERVIEW (CONT'D)

Further, in order to attract potential customers, direct approach is an effective method to promote and sell our home furniture as it allows us to deliver the required information and descriptions of our latest offerings and designs accurately to our potential customers. Our sales and marketing personnel will first identify and shortlist potential customers by conducting research through public directories and corporate websites. Thereafter, we will establish contact with shortlisted potential customers through phone calls, emails, video calls and/or face-to-face communication to promote and keep the potential customers updated with our latest product offerings.

With the movement restrictions imposed by the Government during the period of the COVID-19 pandemic, we have stayed connected with our existing customers through phone calls, video calls or emails to promote our latest home furniture offerings and designs.

(ii) Promotion on e-commerce platforms

To entice purchases from end-consumers in our B2C sales segment, we offer sales promotions, including discounts and vouchers, for our home furniture sold on third party e-commerce platforms. These sales promotions are usually offered along with mega sales campaigns held by the respective third party e-commerce platforms across their sites, such as Black Friday Sale and 11.11 Sale. By participating in these mega sales campaigns, we are able to increase our sales and expand our reach to new customers.

(iii) Sales and marketing materials

We prepare sales and marketing materials such as digital corporate profiles and digital catalogues with our corporate information and details of our products to be presented to our existing and potential customers.

As the sales and marketing of our products require a certain level of knowledge of our product offerings, the sales and marketing materials facilitate our sales and marketing team in conveying the information and descriptions of our products accurately during face-to-face contact with existing and potential customers, especially our B2B customers.

(iv) Showroom

We store and display our products in our showroom to showcase and market our products to our customers. Many of our customers including overseas customers such as online retailers, chain-store retailers and wholesalers have visited our showroom to view our sample home furniture.

However, in view of the COVID-19 pandemic, the Government implemented lockdown and movement restrictions to curb the spread of the COVID-19 in 2020 and 2021. As such, our customers especially overseas customers were unable to visit our showroom to view our sample home furniture. Further, in view of the absence of a new CCC for our showroom after carrying out alteration and renovation works to our showroom, we had not been utilising our showroom since March 2020. Please refer to Section 6.8.1 of this Prospectus for further details on the new CCC of our showroom. On 3 February 2023, our Group was issued with a new CCC for our showroom. Following the issuance of the new CCC for our showroom, our Group commenced the process of applying for a business premise licence for the showroom and the application was accepted by Majlis Perbandaran Klang on 28 April 2023.

7. BUSINESS OVERVIEW (CONT'D)

As the application is currently being processed and the business premise licence is pending issuance, our showroom is currently not being utilised and will only be reopened after the business premise licence has been obtained. Please refer to Section 7.21 of this Prospectus for further details on the business premise licence of the showroom.

During the period of not utilising our showroom, our Group has been able to market and showcase our products through digital means to our overseas customers.

(v) Corporate website

We have established our corporate website at www.synergyhouseberhad.com which provides brief information on our Group. Enquiries received through our corporate website are channelled to our sales and marketing personnel for their handling. We understand that the internet is an important advertising medium as the current widespread use of the internet as a source of information will potentially enhance our market reach and exposure.

(vi) Trade fairs and exhibitions

We have participated in third party local trade exhibitions as exhibitors to exhibit our products. We believe that such participation helps to strengthen our brand presence as it enables us to showcase our product offerings and capabilities.

Trade exhibitions and events that our Group participated over the Financial Years Under Review and up to the LPD are as follows:

<u>Year</u>	<u>Exhibition/ event</u>	<u>Organiser</u>	<u>Location</u>
2019	HOMEDec Kuala Lumpur 2019 (April)	C.I.S Network Sdn Bhd	Kuala Lumpur, Malaysia
2019	HOMEDec Penang 2019 (April)	C.I.S Network Sdn Bhd	Penang, Malaysia
2019	BIG HOMEExpo 2019 (August)	Eco & Green Exhibition Sdn Bhd	Kuala Lumpur, Malaysia
2019	HOMEDec Kuala Lumpur 2019 (October)	C.I.S Network Sdn Bhd	Kuala Lumpur, Malaysia
2019	BIG HOMEExpo 2019 (November)	Eco & Green Exhibition Sdn Bhd	Kuala Lumpur, Malaysia
2020	Home Living Exhibition 2020	Eco & Green Exhibition Sdn Bhd	Selangor, Malaysia
2020	BIG HOMEExpo 2020 (February)	Eco & Green Exhibition Sdn Bhd	Kuala Lumpur, Malaysia
2023	Festival Usahawan Gempak 2023	Selangor Information Technology and Digital Economy Corporation (Sidec)	Selangor, Malaysia

7. BUSINESS OVERVIEW (CONT'D)

Additionally, we regularly attended trade fairs and exhibitions overseas as a visitor to source for potential customers amongst the exhibitors and promote our products and services to them. Attending these trade fairs and exhibitions also allows us to keep abreast with the latest market trends and demands.

In light of the global COVID-19 pandemic, we did not participate and/or visit any third party trade fairs and exhibitions since March 2020 up to March 2022 as many third party trade fairs and exhibitions were cancelled or postponed to adhere to the rules and regulations set by the relevant authorities of the respective countries to curb the spread of COVID-19. Additionally, due to lockdown and movement restrictions imposed by the Government as well as by other countries to curb the spread of COVID-19 in 2020 and 2021, we were prohibited from travelling and we were unable to participate and/or visit any ongoing third party trade fair and exhibitions overseas.

With the reopening of country's borders in Malaysia since 1 April 2022, we have continued to visit third party trade fairs and exhibitions in Malaysia and overseas, namely the January Furniture Show held in April 2022 in the UK and Malaysia International Furniture Fair held in July 2022 and March 2023 in Kuala Lumpur, Malaysia as at the LPD.

7.11 D&D

We recognise the importance of D&D in ensuring that we remain competitive to sustain the continuous growth of our business. Thus, we presently undertake D&D efforts to continuously develop home furniture with new and innovative designs to suit the ever-changing market needs and consumer preferences. In the Financial Years Under Review, we have successfully developed and launched 360, 695, 660 and 1,030 new designs of home furniture for the respective years.

Our ability to consistently launch new home furniture designs can be attributable to our in-house D&D team, who are primarily involved in the product design, detailing, development and prototyping. Our D&D team also performs various studies including market acceptance of the products in local and various overseas markets, cost analysis, pricing strategies and product differentiation. All of these are crucial to determine the optimised furniture to be launched for sale. As at the LPD, we have a total of 34 employees under our D&D team, comprising 21 employees who are responsible for designing and developing new furniture designs and 13 employees who are responsible for developing prototypes based on the new furniture designs developed. Our D&D team is overseen by our Executive Director, Tan Eu Tah. Further, our 21 employees who are involved in the designing and developing of new furniture designs hold educational qualifications relating to design or mechanical engineering and/or are skilled in using CAD software for the development of new furniture designs.

The key stages of our D&D activities are as follows:

(i) Conceptualisation

The continuous launch of new home furniture designs is driven by the consumers' changing lifestyle and preferences from various countries. In collaboration with our sales and marketing team, our D&D team develops new designs in line with the latest consumers' lifestyle and preferences based on market observations, feedbacks received from our customers as well as conducting research. We also receive ideas and inputs for new designs from our customers, especially our B2B customers, and we will explore the commercial viability of these ideas and inputs based on our Group's experience and expertise in D&D during the conceptualisation stage.

7. BUSINESS OVERVIEW (CONT'D)

In addition to the development of new furniture designs, our D&D team also takes into consideration the marketability and acceptance of the new designs, from the perspective of costing, pricing and product differentiation, amongst others. We also develop new furniture designs with inspirations drawn from our research on the home furniture sold in the respective markets and enhance them by incorporating additional features, using alternative raw materials and/or adjusting the fixtures and fittings.

(ii) Product development

During the product development stage, our D&D team develops prototypes based on the drawings and specifications outlined during the conceptualisation stage.

(iii) Testing

Upon completion of the product development stage, the prototypes are tested and examined by our D&D team and our in-house QC team to determine their functionality and quality to ensure that they meet the pre-determined specifications. Further, upon customer request or for our new home furniture designs (i.e. furniture produced from new types of materials or designed with a new structure), we may send our prototypes to third party testing, inspection and certification service providers with testing laboratories located in Malaysia, China and/or Vietnam to undergo formal testing to assess and certify the functionality, quality and safety of our products are in compliance with the relevant standards (e.g. American Society for Testing and Materials (ASTM) standards and British Standard (BS)) of the respective countries in which we sell our furniture to. The types of prototype testing conducted by third party testing, inspection and certification service providers include, amongst others, ease of assembly test, load test, shelf loading capacity test, stability test and strength test. The prototype testing and certification process generally takes about 7 to 14 days to complete.

(iv) Product launch

Once the new designs and prototypes are approved by our management and determined to be commercially viable, the new designs will be included in our sales and marketing materials to be promoted to our existing and potential customers, as well as displayed at our showroom. Samples may also be shipped to our customers upon their request. For products designed for B2C sales segment, the new designs will be listed on our in-house online store at www.synergymato.com and third party e-commerce platforms which we sell our products on. We do not have a fixed life cycle for each of our design. The life cycle of our design depends on our customer's demand and we will review the sales performance of each home furniture design periodically.

In the Financial Years Under Review, our Group incurred D&D costs of RM2.24 million, RM2.46 million, RM2.97 million and RM3.78 million, representing approximately 2.01%, 2.00%, 1.61% and 1.95% of our Group's total revenue respectively.

7. BUSINESS OVERVIEW (CONT'D)

7.12 KEY MACHINERY AND EQUIPMENT

A summary of the key machinery and equipment owned and used by our Group as at FYE 31 December 2022 are as follows:

Machinery and equipment	Function	Number of units	Average life span (years)	Average age⁽¹⁾ (years)	NBV as at 31 December 2022 (RM)
Panel sizing machine	To cut wooden boards (e.g. medium-density fibreboards, particle boards and plywoods) into desired size and dimension	1	15	16	_(2)
Computer numerical control drilling machine	To drill holes into the wood	2	14	13	1.00
Edge banding machine	To cover the edges of a wooden board with polyvinyl chloride (PVC) tape	2	11	7	19,199.67
Wood press machine	To strengthen the bonding of wooden boards on furniture structure	1	10	5	9,999.82
Surface sanding machine	To smoothen or polish the surface of wooden boards	1	15	15	_(2)
					29,200.49

Notes:

(1) As at year 2023.

(2) This machine has been fully depreciated as at 31 December 2022.

7.13 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

As we outsource manufacturing works to third party manufacturers, the main supplies to our business are finished goods (i.e. home furniture manufactured by third party manufacturers) which accounted for 90.26%, 95.18%, 98.67% and 99.66% of our total purchases in the Financial Years Under Review. The detailed arrangements with our third party manufacturers are set out in Section 7.5 of this Prospectus. Thus far, we have not experienced any significant difficulties in sourcing the services from our third party manufacturers due to the long term business relationships we maintain with our third party manufacturers. Further, these services can be sourced from many other local and/or overseas third party manufacturers, if required. Save for the finished goods purchased from overseas third party manufacturers which are subject to fluctuations in foreign exchange, the manufacturing costs charged by our third party manufacturers are fairly stable.

7. BUSINESS OVERVIEW (CONT'D)

Apart from finished goods purchased from third party manufacturers, we also purchase furniture raw materials such as lamination materials, wooden components, furniture accessories (eg. hinges and handles) from suppliers whereby these purchases accounted for 9.46%, 4.57%, 1.23% and 0.17% of our total purchases in the Financial Years Under Review. We purchase certain furniture raw materials and provide to third party manufacturers for the manufacturing of our home furniture, or sell to our customers as replacement parts upon requests. During the Financial Years Under Review, the purchases of furniture raw materials decreased due to the reduction in purchasing and providing furniture raw materials to our third party manufacturers. This was due to our intention to streamline our business operations to focus on design, development and sale of home furniture, and as such, our third party manufacturers are required to purchase all materials required for manufacturing by themselves. Thus far, we have not experienced any significant difficulties in sourcing the required furniture raw materials from suppliers, and such furniture raw materials can be sourced from many other local and/or overseas suppliers, if required.

Additionally, we also purchase raw materials for the assembly of our prototypes, and home furnishings (e.g. mirrors and ornaments) as complementary decorations for our home furniture to be showcased in our showroom whereby these purchases accounted for 0.28%, 0.25%, 0.10% and 0.17% of our total purchases in the Financial Years Under Review. Thus far, we have not experienced any significant difficulties in sourcing the required raw materials for the assembly of our prototypes, and home furnishings from suppliers, and such raw materials and home furnishings can be sourced from many other local and/or overseas suppliers, if required.

Some of the furniture raw materials, raw materials for the assembly of our prototypes, and home furnishings sourced locally and imported from overseas may be subject to price fluctuations due to factors such as fluctuations in foreign exchange, commodity prices and shipping costs.

7.14 PRODUCTION CAPACITIES AND OUTPUT

We are principally involved in the design, development and sale of home furniture with manufacturing works outsourced to third party manufacturers. As such, production capacity is not applicable in our business model.

7. BUSINESS OVERVIEW (CONT'D)

7.15 MAJOR CUSTOMERS

Our Group's top 5 major customers for the Financial Years Under Review are as follows:

FYE 31 December 2019:

Major customers	Revenue contribution		Country of origin	Nature of business	Length of business relationship as at 2023 (years)
	RM'000	%			
Shop Direct Home Shopping Limited Customer A ⁽ⁱ⁾	31,612	28.36	UK	Online retailer	20
Studio Retail Limited (formerly known as Express Gifts Limited)	30,802	27.63	UK	Chain-store retailer	11
RNA Resources Group Limited	12,569	11.27	UK	Online retailer	11
Customer B ⁽ⁱⁱ⁾	12,137	10.89	United Arab Emirates	Chain-store retailer	7
	8,479	7.61	UK	Online retailer	7
Sub-total	95,599	85.76			
Total	111,482	100.00			

FYE 31 December 2020:

Major customers	Revenue contribution		Country of origin	Nature of business	Length of business relationship as at 2023 (years)
	RM'000	%			
Shop Direct Home Shopping Limited Customer A ⁽ⁱ⁾	37,034	30.14	UK	Online retailer	20
RNA Resources Group Limited	20,770	16.90	UK	Chain-store retailer	11
Studio Retail Limited (formerly known as Express Gifts Limited)	14,529	11.82	United Arab Emirates	Chain-store retailer	7
B&M Retail Limited	14,263	11.61	UK	Online retailer	11
	5,697	4.64	UK	Chain-store retailer	5
Sub-total	92,293	75.11			
Total	122,891	100.00			

7. BUSINESS OVERVIEW (CONT'D)**FYE 31 December 2021:**

Major customers	Revenue contribution		Country of origin	Nature of business	Length of business relationship as at 2023 (years)
	RM'000	%			
Hillsdale Furniture, LLC	46,798	25.39	USA	Wholesaler	3
RNA Resources Group Limited	27,645	15.00	United Arab Emirates	Chain-store retailer	7
Shop Direct Home Shopping Limited	27,073	14.69	UK	Online retailer	20
Customer A ⁽ⁱ⁾	15,476	8.40	UK	Chain-store retailer	11
Customer C Group ⁽ⁱⁱⁱ⁾	14,409	7.82	USA	E-commerce platform operator	3 ^(iv)
Sub-total	131,401	71.30			
Total	184,292	100.00			

FYE 31 December 2022:

Major customers	Revenue contribution		Country of origin	Nature of business	Length of business relationship as at 2023 (years)
	RM'000	%			
Customer C Group ⁽ⁱⁱⁱ⁾	37,513	19.33	USA	E-commerce platform operator	3 ^(iv)
Hillsdale Furniture, LLC	34,885	17.97	USA	Wholesaler	3
Shop Direct Home Shopping Limited	32,425	16.71	UK	Online retailer	20
RNA Resources Group Limited	22,170	11.42	United Arab Emirates	Chain-store retailer	7
Studio Retail Limited (formerly known as Express Gifts Limited)	15,788	8.13	UK	Online retailer	11
Sub-total	142,781	73.56			
Total	194,093	100.00			

Notes:

- (i) Customer A is principally involved in the operation of retail stores and associated activities in the UK. It is a chain-store retailer offering a range of products in the home, garden and leisure categories. Customer A is a wholly-owned subsidiary of a private limited company incorporated in the UK. Customer A's holding company is principally involved as an investment/holding company. Attempts to obtain Customer A's consent to disclose its information in the Prospectus were unsuccessful. As such, Customer A's name has not been disclosed.
- (ii) Customer B is principally involved in retailing through direct home shopping in the UK. It is an online retailer offering a range of fashion and home products. Customer B is a wholly-owned subsidiary of a public listed company incorporated in the UK and listed on the London Stock Exchange. Customer B's holding company is an online retail company which offers a range of products for clothing, footwear and homewares. Attempts to obtain Customer B's consent to disclose its information in the Prospectus were unsuccessful. As such, Customer B's name has not been disclosed.

7. BUSINESS OVERVIEW (CONT'D)

- (iii) *Customer C Group refers to a group of companies which is principally involved in the retail of furniture and home goods online including the operations of e-commerce platforms to retail these products as well as the operations of e-commerce fulfilment centres to store and fulfil customer orders placed on Customer C Group's e-commerce platforms. The holding company of Customer C Group is a public listed company incorporated in the USA and listed on the New York Stock Exchange. Attempts to obtain Customer C Group's consent to disclose its information in the Prospectus were unsuccessful. As such, Customer C Group's name has not been disclosed.*

We sell our home furniture to B2C customers (i.e. end-consumers) in the USA, Canada and the UK through Customer C Group's e-commerce platforms in the USA, Canada and the UK where Customer C Group is the intermediary that we bill our invoices to.

- (iv) *We have commenced the sale of our home furniture on Customer C Group's e-commerce platform in the USA since 2020 and the sale of our home furniture on Customer C Group's e-commerce platform in Canada and the UK since 2022.*
- *All of our top 5 major customers for the Financial Years Under Review are our B2B customers, save for Customer C Group who is an e-commerce platform operator, allowing us to sell our home furniture directly to B2C customers (i.e. end-consumers) in the USA, Canada and the UK.*

In the Financial Years Under Review, our top 5 major customers collectively contributed 85.76%, 75.11%, 71.30% and 73.56% to our total revenue respectively.

In the Financial Years Under Review, we were dependent on Shop Direct Home Shopping Limited who contributed 28.36%, 30.14%, 14.69% and 16.71% to our total revenue for the respective years. Further, in the FYE 31 December 2021 and FYE 31 December 2022, we were also dependent on Hillsdale Furniture, LLC who contributed 25.39% and 17.97% to our total revenue for the respective years. However, as we continue to expand our B2B and B2C customer base, as well as increasing our sales from other existing B2B customers, our dependency on Shop Direct Home Shopping Limited and Hillsdale Furniture, LLC is expected to reduce.

Despite Customer C Group being the largest major customer in FYE 31 December 2022, we are not dependent on Customer C Group as Customer C Group is not a B2B customer and we utilise Customer C Group's e-commerce platforms to sell our home furniture directly to B2C customers in the USA, Canada and the UK. In the event Customer C Group plans to cease the operations of its e-commerce platforms in the USA, Canada and/or the UK in the future, we may switch to other available e-commerce platforms in the market to continue selling our home furniture to our B2C customers.

We do not enter into any long term contract with our customers.

7. BUSINESS OVERVIEW (CONT'D)**7.16 MAJOR SUPPLIERS**

Our Group's top 5 major suppliers for the Financial Years Under Review are as follows:

FYE 31 December 2019:

Major suppliers	Purchase contribution		Purchases/ outsourced services ⁽ⁱ⁾	Country of origin	Length of business relationship as at 2023 (years)
	RM'000	%			
Piau Chez Sdn Bhd	21,130	24.55	(a), (b), (c)	Malaysia	6
Grand Victory Furniture Sdn Bhd	16,903	19.64	(a), (b), (c)	Malaysia	16
P.T.Galangcitramitra Majumapan	13,803	16.04	(a), (b), (c)	Indonesia	9
Sincerity Industry	4,097	4.76	(a), (b), (c)	Malaysia	5
Prowarey Sdn Bhd	3,990	4.64	Supply of furniture raw materials	Malaysia	10
Sub-total	59,923	69.63			
Total	86,052	100.00			

FYE 31 December 2020:

Major suppliers	Purchase contribution		Purchases/ outsourced services ⁽ⁱ⁾	Country of origin	Length of business relationship as at 2023 (years)
	RM'000	%			
Piau Chez Sdn Bhd	32,384	34.16	(a), (b), (c)	Malaysia	6
Grand Victory Furniture Sdn Bhd	17,297	18.25	(a), (b), (c)	Malaysia	16
P.T. Galangcitramitra Majumapan	13,085	13.80	(a), (b), (c)	Indonesia	9
JinSong Home Furnishing (HongKong) Limited	2,785	2.94	(a), (b)	Hong Kong ⁽ⁱⁱ⁾	4
VC Panel Sdn Bhd	2,719	2.87	(a), (b)	Malaysia	5
Sub-total	68,270	72.02			
Total	94,798	100.00			

7. BUSINESS OVERVIEW (CONT'D)

FYE 31 December 2021:

Major suppliers	Purchase contribution		Purchases/ outsourced services⁽ⁱ⁾	Country of origin	Length of business relationship as at 2023 (years)
	RM'000	%			
Piau Chez Sdn Bhd	41,566	28.86	(a), (b), (c)	Malaysia	6
Glory Furniture Sdn Bhd	17,361	12.06	(a)	Malaysia	2
Grand Victory Furniture Sdn Bhd	16,970	11.78	(a), (b), (c)	Malaysia	16
P.T. Galangcitramitra Majumapan	11,027	7.66	(a), (b), (c)	Indonesia	9
Ecomate Sdn Bhd	9,036	6.27	(a), (b)	Malaysia	4
Sub-total	95,960	66.63			
Total	144,005	100.00			

FYE 31 December 2022:

Major suppliers	Purchase contribution		Purchases/ outsourced services⁽ⁱ⁾	Country of origin	Length of business relationship as at 2023 (years)
	RM'000	%			
Piau Chez Sdn Bhd	46,236	31.16	(a), (b), (c)	Malaysia	6
Grand Victory Furniture Sdn Bhd	22,731	15.32	(a), (b), (c)	Malaysia	16
Leyo Manufacturing Sdn Bhd	13,066	8.81	(a), (b)	Malaysia	2
JinSong Home Furnishing (HongKong) Limited	12,571	8.47	(a), (b), (c)	Hong Kong ⁽ⁱⁱ⁾	4
Glory Furniture Sdn Bhd	12,397	8.36	(a)	Malaysia	2
Sub-total	107,001	72.12			
Total	148,360	100.00			

Notes:

- (i) (a) – Manufacturing of bedroom furniture
(b) – Manufacturing of living room furniture
(c) – Manufacturing of dining room furniture

- (ii) JinSong Home Furnishing (HongKong) Limited's factory operations is based in People's Republic of China.

In the Financial Years Under Review, our top 5 major suppliers collectively contributed 69.63%, 72.02%, 66.63% and 72.12% to our total purchases respectively. These top 5 major suppliers are all third party manufacturers which we outsource the manufacturing works of our RTA home furniture to, save for Prowarey Sdn Bhd who is a furniture raw material supplier.

7. BUSINESS OVERVIEW (CONT'D)

In the FYE 31 December 2019, FYE 31 December 2020 and FYE 31 December 2021, we were dependent on 3 of our major suppliers, namely P.T. Galangcitramitra Majumapan, Piau Chez Sdn Bhd and Grand Victory Furniture Sdn Bhd who—collectively contributed approximately 60.23%, 66.21% and 48.30% to our total purchases for the respective years. In the FYE 31 December 2022, we were dependent on 2 of our major suppliers, namely Piau Chez Sdn Bhd and Grand Victory Furniture Sdn Bhd who collectively contributed approximately 46.48% to our total purchases. Nevertheless, for the Financial Years Under Review up until the LPD, we have engaged approximately 57 third party manufacturers cumulatively and hence we are able to source for manufacturing services from alternative third party manufacturers when required to reduce dependency on our major suppliers.

We do not have any long term contract with our suppliers.

7.17 INTERRUPTIONS TO BUSINESS AND OPERATIONS

The COVID-19 pandemic had cause interruptions to our business and operations, with the impact on our Group's operations, financials, as well as business and earnings prospects are described as follows:

(i) Impact on our operations

On 1 June 2021, the Government implemented Phase 1 of the national recovery plan (“**NRP**”) to curb the spread of the COVID-19 pandemic which caused temporary disruptions to our business operations. The impact of the COVID-19 and the implementation of movement restrictions by the Government to the operations at our headquarters, showroom, Warehouse, prototype assembly facility as well as to the operations of our third party manufacturers are as follows:

(a) Headquarters

With the implementation of Phase 1 of the NRP on 1 June 2021 by the Government, our headquarters was temporarily closed. Nonetheless, our administrative, sales and marketing and D&D operations were not impacted as our employees continued to work from home. On 5 July 2021, we received an approval letter from MITI to operate our headquarters, subject to compliance with the Government's SOP.

As Malaysia transitions from COVID-19 pandemic to endemic since 1 April 2022 up until the LPD, our headquarters is in operations and all of our employees have returned to work in our headquarters.

(b) Showroom

Our showroom is primarily used to showcase our products to overseas customers. In view of the closure of our country's borders by the Government from 18 March 2020 to 31 March 2022 as well as the closure of borders in other countries by their respective government authorities since early 2020 to curb the spread of COVID-19, our overseas customers were not able to travel to Malaysia to visit our showroom and we had not been utilising our showroom since March 2020.

Our showroom is currently not being utilised and will only be reopened after the business premise licence has been obtained. Please refer to Section 7.21 of this Prospectus for further details on the business premise licence of the showroom.

7. BUSINESS OVERVIEW (CONT'D)

Nevertheless, there has been no impact to our business as our Group had been able to market and display our products through digital means to our overseas customers.

(c) Warehouse

From late 2020 and prior to 30 March 2023, our Warehouse located in Bandar Bukit Raja, Klang, Selangor was used as an e-commerce fulfilment centre for our local B2C sales on third party e-commerce platforms, including Shopee and Lazada, as well as on our in-house online store at *www.synergytomato.com*. As e-commerce activities were considered essential services, our Warehouse remained opened during the COVID-19 pandemic, subject to compliance with the Government's SOP during the different phases of movement restrictions. However, following the relocation of our inventories stored in the Warehouse to our Designated Third Party Manufacturer's Premises located in Malaysia for storage and fulfilment of our local B2C sales, the Warehouse is not in use. Please refer to Section 6.8.1 of this Prospectus for further information on the Warehouse.

(d) Prototype assembly facility

With the implementation of Phase 1 of the NRP on 1 June 2021 by the Government, the operations at our prototype assembly facility was temporarily suspended. On 5 July 2021, we received an approval letter from MITI to operate our prototype assembly facility, subject to compliance with the Government's SOP.

As Malaysia transitions from COVID-19 pandemic to endemic since 1 April 2022 up until the LPD, our prototype assembly facility is operating at full workforce capacity.

(e) Third party manufacturers' premises

With the implementation of Phase 1 of the NRP by the Government on 1 June 2021 in Malaysia, our third party manufacturers in Malaysia were mandated to close. Nevertheless, our third party manufacturers in China, Indonesia and Vietnam operated as usual. As such, we were able to shift our orders which were initially assigned to third party manufacturers in Malaysia to third party manufacturers in China, Indonesia and Vietnam. Subsequently, with the implementation of the different phases of NRP (i.e. Phase 1, 2, 3 and 4) and enhanced MCO for different periods, depending on the severity of the COVID-19 infections in each state, federal territory and area by the Government, our third party manufacturers in Malaysia gradually resumed operations at different dates with the earliest resuming operations on 7 July 2021 and the latest resuming operations on 11 October 2021.

As Malaysia transitions from COVID-19 pandemic to endemic since 1 April 2022 up until the LPD, all of our third party manufacturers in Malaysia and overseas countries mainly China, Indonesia and Vietnam are operating as usual.

Impact to our orders in the B2B segment

For orders that were initially targeted to be delivered to our customers by FYE 31 December 2021, factors such as the temporary closure of the operations of some of our third party manufacturers due to the COVID-19 pandemic, and shortages and delays in shipment of raw materials from overseas suppliers resulting from global supply chain disruptions led to delays in fulfilling our customers' orders in the B2B segment. As such, the delivery of 52 orders amounting to RM15.16 million were delayed in FYE 31 December 2021. All of these orders were gradually fulfilled by the first quarter of FYE 31 December 2022.

7. BUSINESS OVERVIEW (CONT'D)

In FYE 31 December 2021, we received cancellation of 151 orders amounting to RM21.62 million in total from overseas customers as a result of our Group proposing to defer delivery to these customers based on the factors mentioned above (i.e. temporary closure of the operations of some of our third party manufacturers due to the COVID-19 pandemic, and shortages and delays in shipment of raw materials from overseas suppliers resulting from global supply chain disruptions) and also due to the overstock of home furniture in our customers' premises.

Additionally, we also received requests from customers to defer their deliveries which were initially targeted to be delivered in FYE 31 December 2021, due to factors such as increasing shipping costs and overstock of home furniture in our customers' premises. In FYE 31 December 2021, we received requests from overseas customers to defer the delivery of 159 orders amounting to RM23.66 million. All of these orders were fulfilled by the first half of FYE 31 December 2022.

Further, in FYE 31 December 2022, we also received requests from customers to further defer the delivery of 16 orders amounting to RM2.04 million which were initially targeted to be delivered in FYE 31 December 2021, due to overstock of home furniture in our customers' premises. Some of these orders have been partially fulfilled in FYE 31 December 2022. Thus, the partially fulfilled or unfulfilled orders are expected to be completed in FYE 31 December 2023. Additionally, in FYE 31 December 2022, we received cancellation of 2 orders amounting to RM0.11 million from overseas customers due to overstock of home furniture in our customers' premises.

Impact to our sales in the B2C segment

As our third party manufacturers in Malaysia were unable to operate during Phase 1 of the NRP, there were some delays from these third party manufacturers in fulfilling our orders for the B2C segment. As such, some of our products were out of stock and we temporarily took down the product listings or labelled out of stock for certain product listings in the third party e-commerce platforms and our in-house online store at *www.synergytomato.com*.

Nevertheless, for the delivery of orders placed in Lazada and Shopee for products with available stock, we were able to deliver them to our customers throughout the movement restriction periods implemented by the Government as e-commerce is deemed as an essential service in Malaysia.

Further, for the delivery of orders placed in Customer C Group's e-commerce platform in the USA for products with available stock, we were able to deliver them to our customers as our third party e-commerce fulfilment centres located in the USA were allowed to operate during the COVID-19 pandemic.

As for the third party e-commerce platforms in Malaysia, the USA, Canada and the UK in which we commenced the sales of our home furniture in 2022, the delivery of orders placed in these e-commerce platforms were not affected by the COVID-19 pandemic in 2021.

Impact on our business cash flows, liquidity, financial position and financial performance

The imposition of movement restrictions in Malaysia and the lockdown measures by the respective governments in which our third party manufacturers and customers are located, have resulted in delays in fulfilment, deferment and cancellation of our customers' orders.

7. BUSINESS OVERVIEW (CONT'D)

For the FYE 31 December 2021, we experienced delays in our revenue recognition for the orders delayed by our third party manufacturers and orders deferred by our customers amounting to a total of RM38.82 million which will be brought forward and will be recognised in the FYE 31 December 2022. Further, in FYE 31 December 2021, we faced cancellation of orders amounting to RM21.62 million.

Further details on our cash and bank balances are as set out in Section 12 of this Prospectus. Our Board is confident that, after taking into account our cash and bank balances as well as the banking facilities currently available to our Group, our working capital will be sufficient for our capital/operating expenditure and to sustain our business.

We did not receive any claw back or reduction in the banking facilities limit granted to us by our lenders. In addition, we do not anticipate any financial difficulties in meeting our debt obligations in the foreseeable future. We do not expect any material impairment to our assets, inventories or receivables.

Based on the above, we do not expect any material impact to our cash flows, liquidity, financial position and financial performance.

Impact on our business and earning prospects

Despite experiencing delays, deferments and/or cancellations of some of our customers' orders in 2021 due to the COVID-19 pandemic, the demand for home furniture increased as people increasingly purchase home furniture to improve their living space at home due to the movement controls imposed in many countries, which had led many people to migrate from the office to working from home and students studying from home through online classes. This is reflected in the increase in our Group's revenue which was recorded at RM111.48 million in FYE 31 December 2019, RM122.89 million in FYE 31 December 2020, RM184.29 million in FYE 31 December 2021 and RM194.09 million in FYE 31 December 2022.

Strategy and steps taken to address the impact of COVID-19

In response to the COVID-19 pandemic, our Group established standard safety protocols to protect employees against COVID-19 infection since March 2020 until prior to the beginning of the transition to endemic. The infection control measures include, amongst others:

- (i) Wearing of face masks in work places;
- (ii) Taking and recording of body temperature on a daily basis before entering the work places;
- (iii) Sanitising hands before entering work places and all employees are encouraged to sanitise and wash their hands with soap and water frequently throughout the day;
- (iv) Sanitising all common areas of work places regularly;
- (v) Practicing 1 metre physical distancing at work places; and
- (vi) Avoidance of unnecessary face-to-face meetings, where possible.

As Malaysia transitions from COVID-19 pandemic to endemic phase on 1 April 2022, our Group has currently lifted all of our COVID-19 infection control measures. However, employees are encouraged to maintain good hygiene practices and to remain vigilant against COVID-19 as they carry out their daily activities.

7. BUSINESS OVERVIEW (CONT'D)

From May 2021 up until the LPD, there were 39 positive COVID-19 cases among our employees (i.e. of which 5 of the infected employees have resigned from our Group prior to the LPD). Upon every confirmation of positive cases, our Group has taken the necessary steps according to the guidelines released by the Government, to minimise the risk of cross infection and to ensure safety of our employees and work places.

The relief persons for our infected employees covered the duties of the infected employees while they were in self-quarantine or undergoing medical treatment, to ensure the continuity of our operations.

For the FYE 31 December 2021 up to the LPD, our Group incurred a total of RM118,332.85 or COVID-19 related expenses such as purchase of face masks, thermometers and sanitisers, disinfection of workplace and COVID-19 tests undertaken by our employees.

Save for the abovementioned circumstances, we have not experienced any other major interruptions to our business and our operations caused by COVID-19 pandemic preceding the LPD.

7.18 SEASONALITY AND CYCLICALITY

Generally, there are no significant seasonality or cyclical patterns in the revenue of our Group during the Financial Years Under Review.

7.19 BUSINESS STRATEGIES AND PROSPECTS

The following strategies have been identified to strengthen our competitive position in the furniture industry as well as to capture future growth opportunities:

(i) We intend to continue growing our B2C sales segment

In anticipation of the positive outlook of the global furniture e-commerce market, we ventured into the e-commerce market and began our B2C sales model in 2012 through the establishment of our first in-house online store. We further expanded our B2C sales in 2019 and 2020 through the establishment and securing of sales from another in-house online store at *www.synergytomato.com* as well as online stores on third party e-commerce platforms, namely Lazada and Shopee in Malaysia and Customer C Group's e-commerce platform in the USA. Additionally, in 2022, we further expanded our B2C sales in Malaysia and overseas through the establishment and securing of sales from more third party e-commerce platforms including Amazon in the USA, Canada and the UK as well as Customer C Group's e-commerce platforms in Canada and the UK. In FYE 31 December 2019 to FYE 31 December 2022, our sales from the B2C sales segment increased from RM1.99 million in FYE 31 December 2019 to RM49.63 million in FYE 31 December 2022 at a CAGR of 192.17%. Our Group plans to continue growing our B2C sales segment with the following strategies:

7. BUSINESS OVERVIEW (CONT'D)

(a) **Expansion of our customer reach through listing and selling our products on more third party e-commerce platforms with new market focus**

As at the LPD, in our B2C sales segment, our home furniture is available for sale on our in-house online store at www.synergytomato.com and third party e-commerce platforms including Lazada and Shopee in Malaysia, Customer C Group's e-commerce platforms in the USA, Canada and the UK as well as Amazon in the USA, Canada and the UK. We intend to further expand our B2C customer reach primarily to countries with larger populations and high urbanisation, as our RTA home furniture is generally designed for smaller homes. Thus, our Group is constantly exploring opportunities to market and sell our products to B2C customers in more third party e-commerce platforms as well as overseas countries.

We believe that listing and selling our products in more third party e-commerce platforms will help to enhance our brand visibility in the respective markets as it enables us to showcase our latest home furniture to a wider pool of consumers.

(b) **Enhancement of our revenue through advertisement and promotions**

In efforts to further enhance our revenue for our B2C sales, we intend to implement advertising and promotion strategies to promote our products on third party e-commerce platforms that we currently sell our products on in Malaysia and overseas countries.

The advertising and promotion activities that we intend to implement include offering discounts, giveaways and flash sales to customers. Our management estimates that the total cost for the implementation of advertising and promotional activities on third party e-commerce platforms will be approximately RM1.00 million, which we intend to fund from our IPO proceeds.

(c) **Establishment of new warehouses in Muar, Johor in 2023 and Port Klang, Selangor in 2027 respectively as our e-commerce fulfilment centres**

As we continue to grow our B2C sales segment, we plan to set up 2 new warehouses in Malaysia located in Muar, Johor ("**Proposed New Muar Warehouse**") and Port Klang, Selangor ("**Proposed New Port Klang Warehouse**").

The Proposed New Muar Warehouse is intended to be used as our e-commerce fulfilment centre to store our inventory prior to shipment to overseas countries such as the USA, Canada and the UK for our B2C sales moving forward. It is expected to support the delivery of our products to our export markets as it allows us to manage our inventory and orders to customers conveniently from a single location. We have chosen to set up our Proposed New Muar Warehouse in Muar, Johor as many of our third party manufacturers are based in Johor and we can leverage on the relatively close proximity of Port Tanjung Pelepas, Johor to ship our furniture overseas.

7. BUSINESS OVERVIEW (CONT'D)

We intend to consolidate the furniture manufactured by our local third party manufacturers (for B2C sales) for storage at our Proposed New Muar Warehouse. The furniture will be shipped from our Proposed New Muar Warehouse via Port Tanjung Pelepas, Johor to overseas third party e-commerce fulfilment centres instead of shipping from our third party manufacturers' premises. As our furniture will be held for storage at our Proposed New Muar Warehouse and shipped overseas only when the inventory at our overseas third party e-commerce fulfilment centres is running low, it will allow our Group to reduce storage cost as the period of storage at the overseas third party e-commerce fulfilment centres is expected to be reduced.

The Proposed New Port Klang Warehouse will be used as an e-commerce fulfilment centre for the storage of our inventory prior to shipment for B2C sales on our in-house online store at *www.synergytomato.com* as well as third party e-commerce platforms in Malaysia, as we expect to experience continued future growth for our local B2C sales which in turn is expected to lead to more storage space required to hold inventory.

We plan to rent the Proposed New Muar Warehouse and to construct the Proposed New Port Klang Warehouse on the leasehold land that we own. As at the LPD, we have not identified a warehouse for rental in Muar, Johor. The rental and construction costs respectively will be funded internally by our Group. As we are still at the preliminary stages of setting up the 2 new warehouses, the setting up cost cannot be determined at this juncture. We expect our Proposed New Muar Warehouse and Proposed New Port Klang Warehouse to commence operations in 2023 and 2027 respectively.

In addition, we also plan to invest in warehouse equipment such as forklifts and racking systems to improve our workflow efficiency in the 2 proposed new warehouses. The purchase of warehouse equipment for the Proposed New Muar Warehouse is expected to be approximately RM2.12 million, whereby approximately RM 1.50 million will be funded from our IPO proceeds. As for the Proposed New Port Klang Warehouse, our Group will finalise the purchase of warehouse equipment once the Proposed New Port Klang Warehouse is operational in 2027 and this is expected to be funded by our Group via internally generated funds and/or bank borrowings.

(d) Purchase of inventories for third party e-commerce fulfilment centres in overseas countries and Proposed New Muar Warehouse in anticipation of increasing B2C sales

As part of our strategy to continue growing our sales in the B2C segment, we need sufficient and readily-available inventory in our overseas third party e-commerce fulfilment centres and Proposed New Muar Warehouse moving forward. As such, our Group intends to increase our inventories in the third party e-commerce fulfilment centres located in overseas countries for the sale of our home furniture on third party e-commerce platforms in overseas countries such as the USA, Canada and the UK.

Further, we also intend to raise inventory for our Proposed New Muar Warehouse. This proposed new warehouse will be used as an e-commerce fulfilment centre to store our inventories prior to shipment to overseas countries such as the USA, Canada, and the UK for our B2C sales.

7. BUSINESS OVERVIEW (CONT'D)

RM10.00 million raised from our IPO proceeds will be used for the purchase of inventories for the third party e-commerce fulfilment centres located in overseas countries and our Proposed New Muar Warehouse.

Our Group believes that by growing our B2C sales segment, we will be able to further enhance our financial performance and gradually reduce our reliance on the B2B segment which contributed approximately 98.21%, 95.67%, 86.56% and 74.43% respectively to our total sales in the Financial Years Under Review. Further, this is also expected to further drive our D&D initiatives, as we will be able to receive more direct and timely feedback from end-consumers. Additionally, this can also enhance our brand visibility as we expose our products to more end-consumers from different markets. This in turn will strengthen our position in the furniture industry and contribute to our future growth.

(ii) We will continue to expand our range of home furniture through continuous D&D efforts

Our Group recognises the importance of providing variety of home furniture to suit the latest market trends and varying consumer preferences in different countries. Hence, we consistently develop and launch new designs with different specifications and enhanced functionality, durability and appearance to suit the preferences of both local and overseas markets.

In order to remain competitive in the furniture industry, we will continue to emphasise on D&D activities to consistently develop new home furniture designs as well as diversify the range of our home furniture offerings, particularly within the range of RTA home furniture. Moving forward, we plan to continue to develop new RTA home furniture with more innovative designs and improved functionality and durability according to latest market trends. Additionally, we also aim to expand our RTA home furniture product offerings by diversifying into bathroom furniture and kitchen furniture. Our D&D team will continue to work closely with our Key Senior Management as well as our sales and marketing team in exploring new designs and materials for the development of home furniture.

By consistently launching new home furniture range and designs, our Group will be able to stay competitive in the evolving furniture market. The continuous launch of new range and designs may also help to attract a larger pool of customers, which will in turn contribute to our sales and boost our financial performance.

As at the LPD, we do not have specific acquisition target in relation to our expansion plans.

7. BUSINESS OVERVIEW (CONT'D)

7.20 EMPLOYEES

As at the LPD, our Group has a total workforce of 122 employees, of which 117 are permanent local employees and 5 are permanent foreign employees. The following sets out the number of our employees according to the business function or department as at the LPD:

Business function/ department	Permanent employee		Total
	Local	Foreign	
Executive Directors	2	-	2
Key Senior Management	2	-	2
Finance	11	-	11
Purchasing	3	-	3
Procurement	6	-	6
D&D	29	5	34
Human resource	4	-	4
Sales and marketing	47	-	47
QC	11	-	(1)11
Information technology	1	-	1
Internal control	1	-	1
Total workforce	117	5	122

Note:

- (1) *The 11 employees under our QC department are all our in-house employees. Further, we also engage third party QC service providers to perform our QC function. Please refer to Section 7.8 of this Prospectus for further information on our in-house QC team and third party QC service providers.*

As at the LPD, local employees accounted for approximately 95.90% of the total workforce while the remaining 4.10% were foreign workers. All our foreign workers have valid working permits issued and there has been no breach of any immigration laws by our Group.

Moving forward, if there are any changes to the policy pertaining to foreign workers hiring which prohibit us from employing foreign workers for our operations, we will hire local workers to ensure the continuity of our operations.

None of our employees belong to any labour union. In the Financial Years Under Review and up until the LPD, there were no industrial disputes pertaining to our employees.

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7. BUSINESS OVERVIEW (CONT'D)

7.21 MAJOR LICENCES, PERMITS AND APPROVALS

As at the LPD, we hold the following major licences, permits and registrations for our business operations:

<u>No.</u>	<u>Licence Holder</u>	<u>Issuer / Authority</u>	<u>Date Issuance / Validity</u>	<u>Type of Licence / Permit / Registration</u>	<u>Salient Conditions</u>	<u>Status of compliance</u>
1.	SH Furniture	Malaysian Timber Industry Board ("MTIB")	31 March 2021 to 31 March 2025	Certificate of registration granted pursuant to the Malaysian Timber Industry Board (Incorporation) Act 1973 ("MTIB Act") as a registered exporter to export: Category J (a) Furniture and furniture components. Registration No.: T/E-6336/3/2021 Serial No.: 6806	None	Not applicable
2.	SK Furniture Industries	MTIB	30 March 2021 to 31 March 2025	Certificate of registration granted pursuant to the MTIB Act as a registered exporter to export: Category J (a) Furniture and furniture components. Registration No.: T/E-6338/3/2021 Serial No.: 6808	None	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

No.	Licence Holder	Issuer / Authority	Date of Issuance / Validity	Type of Licence / Permit / Registration	Salient Conditions	Status of compliance
3.	SH Furniture	Department of Labour of Peninsular Malaysia ("JTK")	1 November 2021 to 1 November 2024	<p>Certificate of Accommodation granted pursuant to Section 24D(2) of the Employees' Minimum Standards of Housing, Accommodation and Amenities Act 1990 ("EMSHAA") in relation to the following accommodation for employees:</p> <p>Accommodation: 36, Jalan Sultan Abdul Samad 45, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor</p> <p>Certificate No.: AC/11002/2021/1743</p>	<ol style="list-style-type: none"> 1. Not more than 6 employees shall stay in the prescribed location. 2. Employer shall comply with the provision of Employees' Minimum Standards of Housing, Accommodation and Amenities (Accommodations and Centralized Accommodation) Regulations 2020. 3. Rent or charge for the accommodation is free for employees. 4. Employer to report the occupation of the employees in the accommodation within 30 days of their occupation. 5. Employer to report the termination of the accommodation at least 30 days before the date of termination. 6. Employer to display this certificate on the wall of the accommodation in a 	Complied

7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Licence Holder</u>	<u>Issuer / Authority</u>	<u>Date Issuance / Validity</u>	<u>of / Type of Licence / Permit / Registration</u>	<u>Salient Conditions</u> prominent manner that can be easily seen.	<u>Status of compliance</u>
4.	SH Furniture	JTK	1 November 2021 to 1 November 2024	Certificate of Accommodation granted pursuant to Section 24D(2) of the EMSHAA in relation to the following accommodation for employees: Accommodation: 25, Jalan Sultan Abdul Samad 46, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor Certificate No.: AC/11002/2021/1742	As set out in item 3 above	Complied
5.	SH Furniture	Selangor Department	Forestry 1 January 2023 to 31 December 2023	Wood-based industry licence (“ Wood-Based Industry Licence ”) pursuant to the Selangor Wood-Based Industries Enactment 1985 to site, construct, erect, establish, operate or maintain a wood-based industry at 19, 21, 23 Lorong Sultan Mohamed 25A, Taman IKS PKNS, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor (“ Factory ”)	1. Licence holder shall not transfer the ownership of this licence; rent, lease, lend, mortgage or sell the factory or any part of it or any of such factory's equipment or any part of it; or make any changes in the shareholding of the factory or any part of it, without written approval from the state authority. 2. The Factory must consist of the	Complied ⁽¹⁾

7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Licence Holder</u>	<u>Issuer / Authority</u>	<u>Date Issuance Validity</u>	<u>of / Type of Licence / Permit / Registration</u>	<u>Salient Conditions</u>	<u>Status of compliance</u>
					<p>machinery listed in the licence and no machine may be added to the list or removed from the Factory without the written permission of the State Forestry Director.</p> <p>3. The Factory must be built in accordance with the building plan, site, order and building which has been approved by the State Forestry Director, and no changes or additions may be carried out without the written permission of the State Forestry Director.</p> <p>4. The Factory must be used to process finished wood products or partially finished wood products from wood, cane, bamboo and other forest produce. No logs of any kind including logs which have been cut into two or four, can be brought into and/or</p>	

7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Licence Holder</u>	<u>Issuer / Authority</u>	<u>Date Issuance Validity</u>	<u>of / Type of Licence / Permit / Registration</u>	<u>Salient Conditions</u>	<u>Status compliance</u>	<u>of</u>
					processed in the Factory.		
					5. Rough sawn timber is not allowed to be sold directly or indirectly to the export or local market.		
					6. The licence holder must keep a record which shows the wood, cane, bamboo and other forest produce that have been brought into the Factory for processing, and the partially finished wood products produced by the Factory on a daily basis.		
					7. The Factory must be kept clean at all times and all discharges, emissions, waste, noise pollution and air pollution shall comply with the standards as stipulated under the Environmental Quality Act 1974		
					8. Licensee to pay the prescribed renewal fees within 14 days		

7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Licence Holder</u>	<u>Issuer / Authority</u>	<u>Date Issuance / Validity</u>	<u>of / Type of Licence / Permit / Registration</u>	<u>Salient Conditions</u>	<u>Status of compliance</u>
6.	SH Furniture	Majlis Perbandaran Klang	1 January 2023 to 31 December 2023	Industry and advertising licence for the premises situated at No. 21 and 23, Lorong Sultan Mohamed 25A, Taman IKS, Bandar Sultan Suleiman, 42000 Pelabuhan Klang, Selangor Account No.: 01021010217920114	from the letter of approval for renewal, failure of which the renewal process will not be able to proceed. None	Not applicable
7.	SH Furniture	Majlis Perbandaran Klang	27 December 2022 to 26 June 2023	Industry licence for the premises situated at No. No. 7, Jalan Astana 1F/KU2, Bandar Bukit Raja, 41050 Klang Account No.: LL03991503135920219	None	Not applicable
8.	SH Furniture	Majlis Bandaraya Shah Alam	Expiry Date: 29 February 2024	Business premise licence for the premises situated at Lot. 19A, Level 19, Top Glove Tower, No. 16 Persiaran Setia Dagang, Setia Alam, Seksyen U13, 40170 Shah Alam Account No.: LU13125420190007	None	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

No.	Licence Holder	Issuer / Authority	Date Issuance / Validity	Type of Licence / Permit / Registration	Salient Conditions	Status of compliance
9.	SK Furniture Industries	Majlis Bandaraya Shah Alam	Expiry Date: 31 March 2024	Business premise licence for the premises situated at Lot. 19A, Floor 19, Top Glove Tower, No. 16 Persiaran Setia Dagang, Setia Alam, Seksyen U13, 40170 Shah Alam Account No.: LU13125420190018	None	Not applicable
10.	SH Furniture	Majlis Bandaraya Shah Alam	Expiry Date: 14 March 2024	Business premise licence for the premises situated at No. 18A & 18B Level 18, Top Glove Tower, No. 16 Persiaran Setia Dagang, Bandar Setia Alam, Seksyen U13, 40170 Shah Alam ⁽²⁾ Account No.: LU13125420160004	None	Not applicable
11.	SH Furniture	Majlis Perbandaran Klang	9 December 2022 to 8 June 2023	Industry licence for the premises situated at No. 17 and 19 Lorong Sultan Mohamed 25A, Taman IKS, Bandar Sultan Suleiman, 42000 Pelabuhan Klang, Selangor Account No.: LL03614104566320222	None	Not applicable

Notes:

- (1) We have on 7 June 2022 submitted the request for consent in change of shareholding of SH Furniture pursuant to the Acquisitions to the Selangor Forestry Department and have on 18 August 2022 obtained a letter of no objection from the Selangor Forestry Department in relation to SH Furniture's change in shareholding.
- (2) In September 2022, we expanded our head office at 19A, Level 19, Top Glove Tower to include Lot 18A & 18B Level 18, Top Glove Tower ("**Level 18 Office**") and on 3 May 2023, we have obtained the business premise licence for our Level 18 Office issued by Majlis Bandaraya Shah Alam ("**MBSA**").

Pursuant to the Licensing of Trades, Businesses and Industries (Shah Alam City Council) By-Laws 2007 ("**MBSA Bylaws**"), no person shall carry out any activity of trade, business and industry without a licence issued by the licensing authority. In the event of breach of MBSA Bylaws, a person upon conviction may be liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year, or to both.

7. BUSINESS OVERVIEW (CONT'D)

Notwithstanding the delay in the obtaining of the business premise licence for our Level 18 Office, we have not been issued with any fines, penalties or reprimands by MBSA.

As at 3 May 2023, we have obtained all licences, permits and approvals required for the business operations of the Group.

We have on 3 February 2023 obtained the New Showroom CCC in relation to our Showroom with further details set out in Section 6.8.1 of this Prospectus. Upon issuance of the New Showroom CCC, we commenced the process of applying for a business premise licence from Majlis Perbandaran Klang in respect of our Showroom and the application was accepted by Majlis Perbandaran Klang on 28 April 2023. As the application is currently being processed and the business premise license is pending issuance, our Showroom is currently not being utilised and will only be reopened after the business premise licence has been obtained.

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7. BUSINESS OVERVIEW (CONT'D)




7.22 INTELLECTUAL PROPERTY RIGHTS

7.22.1 Trademarks


As at the LPD, the registered trademarks of our Group are set out as below:

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
	SH Furniture	08013085	3 July 2008 to 3 July 2028	Malaysia	Intellectual Property Corporation of Malaysia ("MyIPO")	Class 20 – furniture included in Class 20	Combined mark: "SYNERGY HOUSE CHILDREN BEDROOM SPECIALIST"	Registered
	SH Furniture	2014004957	2 May 2014 to 2 May 2024	Malaysia	MyIPO	Class 20 – furniture included in Class 20	Combined mark: "TOMATO baby"	Registered
	SH International	2011021157	1 December 2011 to 1 December 2031	Malaysia	MyIPO	Class 20 – furniture included in Class 20	Combined mark: "TOMATO KidZ"	Registered
	SH International	2014004956	2 May 2014 to 2 May 2024	Malaysia	MyIPO	Class 35 – advertising; business management; business administration; office functions; all included in Class 35	Combined mark: "TOMATO KidZ"	Registered

7. BUSINESS OVERVIEW (CONT'D)

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
	SH Furniture	932054	2 April 2014 to 1 April 2024	Thailand	Department of Intellectual Property Thailand ("DIPT")	Class 20 – furniture for bedroom	Undefined mark: "TOMATO KIDZ"	Registered
	SH Furniture	975398	24 February 2015 to 23 February 2025	Thailand	DIPT	Class 35 – advertising services provided over the internet, market campaigns, conducting exhibitions for advertising purposes, demonstration of goods for advertising purposes, import and export services (not being transport services), presentation of goods on communication media (for retail purposes), product marketing	Undefined mark: "TOMATO KIDZ"	Registered
	SH Furniture	40201401098U	1 December 2014 to 1 December 2024	Singapore	Intellectual Property Office of	Class 20 - Armchairs; beds; index cabinets	Trade Mark: "tomato"	Registered


7. BUSINESS OVERVIEW (CONT'D)

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
					Singapore ("IPOS")	(furniture); chairs (seats); covers for clothing wardrobe; cupboards; cushions; deck chairs; desks (furniture); display boards; divans; dressing tables; easy chairs; furniture; furniture fittings, not of metal; office furniture; furniture partitions of wood; furniture shelves; showcases (furniture); sofas; stools; tables; writing desks; all included in Class 20.		
	SH Furniture	40201401097S	1 December 2014 to 1 December 2024	Singapore	IPOS	Class 35 – The bringing together, for the benefit of others, of a variety of goods, namely household, and	Trade Mark: "tomato"	Registered



7. BUSINESS OVERVIEW (CONT'D)

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
							residential furniture, garden furniture, furniture for commercial use, furnishings, flooring, soft furnishings and their accessories, lighting apparatus, mirrors, mattresses, beds, office furniture, display units, household goods, racks, bed linen, glassware, carpet, rugs, pictures, painting, works of art, lightings, vases, lampshades, chandeliers, household accessories, office accessories, textile goods, enabling customers to conveniently view and purchase those goods in a retail	


7. BUSINESS OVERVIEW (CONT'D)

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
						store; advertising; business management; business administration; office functions; marketing; professional business advice relating to the establishment and business management of retail stores; provision of the aforesaid services provided by means of the global computer network and/or computer database; all included in Class 35.		
	SH Furniture	D00201405999 8	29 December 2014 to 28 December 2024	Indonesia	Directorate General of Intellectual Property Indonesia	Class 20 - 1. Bedding (except sheets) 2. Chairs 3. Pillow 4. Non-metal nameplates 5. Metal furniture 6. Mattress 7. Picture Frame 8. Pillow 9. Sofa 10. Writing Desk	Combined mark: "TOMATO KIDZ"	Registered

7. BUSINESS OVERVIEW (CONT'D)

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
	SH Furniture	2874174	29 December 2014 to 29 December 2024	India	Office of the Controller General of Patents, Designs and Trade Marks	Class 20 - Furniture. Class 35 - Advertising services provided over the internet; market campaigns; conducting exhibitions for advertising purposes; demonstration of goods for advertising purposes; import services, not being transport services; export services, not being transport services; presentation of goods on communication media, for retail purposes; product marketing.	Combined mark: "TOMATO KIDZ"	Registered
	SH Interntional	47590	29 March 2016 to 29 March 2026	Brunei	Brunei Darussalam Intellectual Property	Class 20 - Armchairs; beds; index cabinets	Combined mark: "TOMATO KIDZ"	Registered



7. BUSINESS OVERVIEW (CONT'D)

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
	SH International	47589	29 March 2016 to 29 March 2026	Brunei	Office ("BDIPO")	(furniture); chairs (seats); covers for clothings (wardrobe); cupboards; cushions; deck chairs; desks (furniture); display boards; divans; dressing tables; easy chairs; furniture; furniture fittings, not of metal; office furniture; furniture partitions of wood; furniture shelves; showcases (furniture); sofas; stools; tables; writing desks.	Combined mark: "TOMATO KIDZ"	Registered

7. BUSINESS OVERVIEW (CONT'D)

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
						commercial use, furnishings, flooring, soft furnishings and their accessories, lighting apparatus, mirrors, mattresses, beds, office furniture, display units, household goods, racks, bed linen, glassware, carpet, rugs, pictures, painting, works of art, lightings, vases, lampshades, chandeliers, household accessories, office accessories, textile goods, enabling customers to conveniently view and purchase those goods in a retail store; advertising; business management;		

7. BUSINESS OVERVIEW (CONT'D)

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
	SH Furniture	TM2020023504	12 October 2020 to 12 October 2030	Malaysia	MyIPO	business administration; office functions; marketing; professional business advice relating to the establishment and business management of retail stores; provision of the aforesaid services provided by means of the global computer network and/or computer database	Class 20 – furniture, mirrors, picture frames Class 35 – advertising	Registered
	SH Furniture	TM2021034814	10 December 2021 to 10 December 2031	Malaysia	MyIPO	Class 20 – furniture, mirrors, picture frames Class 35 – advertising	Registered	

7. BUSINESS OVERVIEW (CONT'D)

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
GALANO	SH Furniture	UK00003847164	8 November 2022 to 8 November 2032	United Kingdom	The Intellectual Property Office of the United Kingdom	Class 20 –	Nil.	Registered
						Armchairs; bed bases; beds; bedsteads of wood; benches [furniture]; work benches; bookcases; bottle racks; cabinetwork; chests of drawers; chests for toys; chopping blocks [tables]; clothes hooks, not of metal; coat hangers / clothes hangers; coat hooks, not of metal / hooks, not of metal, for clothes rails; coat stands; console tables; counters [tables]; deck chairs; dinner wagons [furniture]; display stands; divans; drafting tables; dressing tables; filing cabinets; footstools; freestanding		

7. BUSINESS OVERVIEW (CONT'D)

<u>Trademark</u>	<u>Proprietor</u>	<u>Registration No.</u>	<u>Validity period</u>	<u>Country of Registration</u>	<u>Authority / Regulatory Guidelines</u>	<u>Class</u>	<u>Description</u>	<u>Status</u>
							partitions [furniture]; furniture shelves; lap desks; magazine racks; office furniture; racks [furniture]; school furniture; seats / chairs[seats]; seats of metal; shelves for file cabinets; shelves for storage; shelving units; sofas; standing desks; stools; table tops; tables; tables of metal; tea trolleys / tea carts; trolleys [furniture]; typing desks / shelves for typewriters; wardrobes; writing desks	

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, the trademark application submitted by our Group but is pending registration is set out as below:

<u>Trademark</u>	<u>Applicant</u>	<u>Application No.</u>	<u>Filing date</u>	<u>Country of registration</u>	<u>Authority / Regulatory guidelines</u>	<u>Class</u>	<u>Status</u>
GALANO	SH Furniture	97447108	7 June 2022	USA	United States Patent and Trademark Office	IC 020. US 002 013 022 025 032 050. G & S: Armchairs; Benches; Bookcases; Coatstands; Divans;Footstools; Sofas; Stools; Wardrobes; Bed bases; Beds; Bedsteads of wood; Bottle racks; Cabinets; Chestsfor toys; Chests of drawers; Clothes hangers; Clothes hooks, not of metal; Coat hangers; Coathooks, not of metal; Console tables; Deck chairs; Dinner wagons; Display stands; Drafting tables; Dressing tables; Filing cabinets; Freestanding partitions; Furniture shelves; Furniture, namely, sales and display counters; Hooks,not of metal, for clothes rails; Lap desks; Magazine racks; Office furniture; Serving trolleys; Shelves for filecabinets; Shelves for storage; Shelves for typewriters; Standing desks; Storage and organization systems comprising shelves, drawers, cupboards, baskets and clothes rods, sold as a unit; Table tops; Tables of metal;Tables; Tea carts; Tea trolleys; Typing desks; Wood chopping block tables; Work benches; Writing desks;storage racks, office seats, chairs, seats (furniture), school furniture	Pending registration

In the event our Group fails to register the trademark above, it is not expected to have a material impact to our Group's business as we will still be able to continue to use the said trademark without registration. Further, our Group's ability to market and sell our products is not dependent upon the successful registration of said trademark.

7. BUSINESS OVERVIEW (CONT'D)

7.23 MATERIAL DEPENDENCY ON CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES AND PERMITS

As at the LPD, save as disclosed in Section 7.21 of this Prospectus, there are no contracts including commercial or financial contracts, intellectual property rights including patents and copyrights, licences or permits which our Group's business or profitability is materially dependent on.

7.24 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

Our business operations are regulated and governed by guidelines, regulations and laws in Malaysia. The following is an overview of the relevant regulatory requirements governing our Group which are material to our business operations:

7.24.1 Selangor Wood-Based Industries Enactment 1985 ("Wood-Based Enactment")

Section 3(1) of the Wood-Based Enactment provides that no person shall site, construct, erect, establish, operate or maintain a wood-based industry, except under and in accordance with a licence issued by the state authority and signed by the State Director of Forestry. Pursuant to Section 3(2A) of the Wood-Based Enactment, any person who commits an offence under Section 3(2) of the Wood-Based Enactment shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 5 years or to both. Under Section 23 of the Wood-Based Enactment, where a person charged with an offence under the Wood-Based Enactment is a body corporate, every person, who at the time of the commission of such offence is a director or officer of that body corporate may be charged jointly in the same proceedings with the body corporate, and where the body corporate is convicted of such offence, every such director or officer shall be deemed to be guilty of the offence unless he proves that the offence was committed without his knowledge and that he took reasonable precautions to prevent its commission.

As SH Furniture had been operating without a licence prescribed under the Wood-Based Enactment since the commencement of its business ("**Past Non-Compliance**"), SH Furniture had on 8 March 2021, submitted an application for the wood-based industry licence ("**Wood-Based Industry Licence**") to the Selangor Forestry Department. SH Furniture has received approval from the Selangor Forestry Department for the application for the Wood-Based Industry Licence on 16 November 2021 for the period commencing from 1 January 2021 to 31 December 2022 and the Wood-Based Industry Licence was subsequently issued on 20 December 2021. The Selangor Forestry Department had not imposed any penalty for our Past Non-Compliance when issuing the Wood-Based Industry Licence to us. While we recognise that our Past Non-Compliance could still result in a potential prosecution under the Wood-Based Enactment, we believe that the likelihood of prosecution is low in view that no penalty was imposed during the application and after the assessment process of the Wood-Based Industry Licence.

The Wood-Based Industry Licence was not previously obtained as our Group had no knowledge that a Wood-Based Industry Licence would be required for the conduct of our business operations. Our Group was advised upon the commencement of the due diligence process prior to the submission for the Listing that a Wood-Based Industry Licence was required for our business operations and we had undertaken the required steps to obtain the same.

As at the LPD, our subsidiary, SH Furniture, which undertakes the activity of assembling prototype furniture, holds a valid Wood-Based Industry Licence from the Selangor Forestry Department with further details set out in Section 7.21 of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.24.2 MTIB Act

The MTIB Act sets out provisions in respect of the registration of persons carrying out any activity as exporter, importer, supplier, grader, processor, trader, an operator or a jetty operator. Any person who fails to register with the MTIB Act for the aforementioned activities shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 3 years or to both.

Under the MTIB Act:

- (a) the term "export" means to take or cause to be taken out of Malaysia by land, sea or air or to place any timber in a vessel, conveyance or aircraft for the purpose of the timber being taken out of Malaysia by land, sea or air; and
- (b) the term "exporter" means to a person who exports timber.

As at the LPD, our subsidiaries, SH Furniture and SK Furniture Industries, which carry out activity as exporter of wooden furniture, each holds a valid Certificate of Registration issued by Malaysian Timber Industry Board with further details as set out in Section 7.21 of this Prospectus.

7.24.3 EMSHAA

Pursuant to the EMSHAA, employers must comply with the EMSHAA and the relevant regulations made thereunder, which includes providing minimum space requirement for workers' accommodation, basic facilities as well as safety and hygiene standards. The EMSHAA further provides that no employer or centralised accommodation provider shall use any buildings as accommodation if the buildings are unfit for human habitation in accordance with the relevant written laws. The employer or centralised accommodation provider shall ensure that every accommodation provided for employees complies with the minimum standards required under EMHSA or any regulations made thereunder.

Pursuant to the EMSHAA, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. Section 24D(3) of the EMSHAA provides that an employer who contravenes Section 24D(1) of the EMSHAA commits an offence who shall, on conviction, be liable to a fine not exceeding RM50,000.

Notwithstanding SH Furniture had previously provided accommodation to their employees at the hostels located at at 36, Jalan Sultan Abdul Samad 45, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor and 25, Jalan Sultan Abdul Samad 46, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor, SH Furniture had on 18 March 2021, submitted an application for the certificate of accommodation ("COA") to the Department of Labour Peninsular Malaysia and subsequently obtained the COA for both hostels on 1 November 2021 for a validity period until 1 November 2024. The Department of Labour Peninsular Malaysia had not imposed any penalty for the period when we were not in compliance with the EMSHAA when issuing the COA to us. While we recognise that we may still be subject to potential prosecution under the EMSHAA for the past non-compliance, we believe that the likelihood of prosecution is low in view that no penalty was imposed during the application and during the assessment process of the COA.

As at the LPD, our subsidiary, SH Furniture, holds valid COAs from the Department of Labour Peninsular Malaysia with further details as set out in Section 7.21 of this Prospectus.

8. INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER INTERNATIONAL SDN BHD 201301028298 (1058128-V)
15-01, Level 15, Menara MBBM, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 12 APR 2023

The Board of Directors

Synergy House Berhad
Lot 19.A, Level 19, Top Glove Tower
No. 16, Persiaran Setia Dagang
Bandar Setia Alam, Seksyen U13
40170 Shah Alam
Selangor, Malaysia

Dear Sirs/Madams,

Independent Market Research Report on the Furniture Industry in Malaysia and Global Furniture Market ("IMR Report")

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the initial public offering and listing of Synergy House Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which Synergy House Berhad and its subsidiaries ("Synergy Group") operate and to offer a clear understanding of the industry and market dynamics. As Synergy Group is principally involved in the design, development and sale of ready-to-assemble ("RTA") home furniture, the scope of work for this IMR Report will thus address the following areas:

- (i) Furniture industry in Malaysia, in which Synergy Group operates in;
- (ii) Competitive landscape of the furniture industry in Malaysia; and
- (iii) Global furniture market, as Synergy Group derives the majority of its revenue from exports.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report.

For and on behalf of SMITH ZANDER:



DENNIS TAN
MANAGING PARTNER

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The research for this IMR Report was completed on 12 April 2023.

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

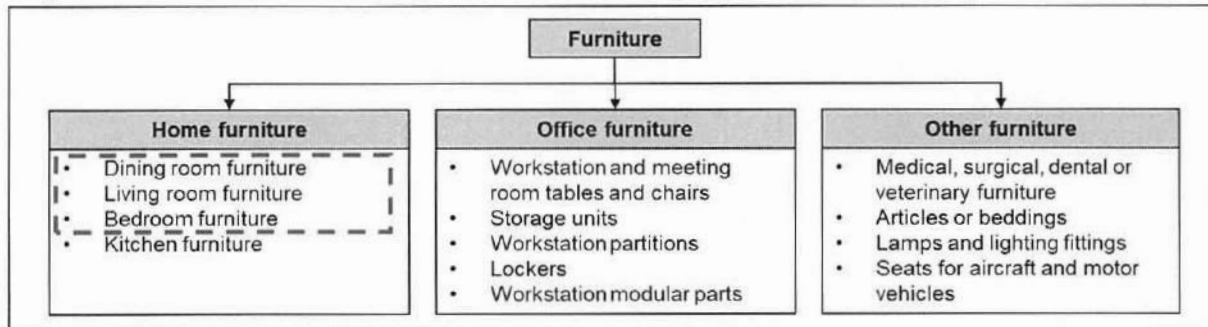
Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 25 years of experience in market research and strategy consulting, including over 20 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.


1 INTRODUCTION TO FURNITURE

Furniture can broadly be divided into 3 categories, namely home furniture, office furniture and other furniture, as follows:

Segmentation of the furniture industry



Notes:

-  denotes the segment in which Synergy Group is involved in.
- The above segmentation shows the types of furniture available in the market and it does not represent where the furniture is used. For example, it is common to find some home furniture used in commercial areas such as hotels, offices, restaurants, shopping malls and/or airports. It is also common to find office furniture used in homes.
- This list is not exhaustive.

Source: SMITH ZANDER

The types of furniture also differ based on the material used, such as wood including solid wood and wood panel products (e.g. medium-density fibreboard, particle board and plywood), metal and plastic, amongst others. Furniture is generally manufactured and sold in two different forms of assembly, namely fully-assembled and ready-to-assemble ("RTA") furniture. Fully-assembled furniture is completely pre-built which does not require any further assembly once purchased. On the other hand, RTA furniture is sold as a package of unassembled furniture panels and pieces which requires consumers to self-assemble based on instruction manuals provided. Furniture may also be sold as partially-assembled furniture where some furniture parts are pre-assembled but still require some self-assembly of the finished product. Synergy Group is principally involved in the design, development and sale of RTA home furniture which are primarily made of wood panel products.

In recent years, RTA and partially-assembled furniture have become increasingly popular due to its flexibility as it can be dismantled and packed, as well as its affordability as it reduces labour costs involved in product assembly. Further, RTA and partially-assembled furniture also enable exporters to reduce transportation and logistics costs as these furniture are flat packed and therefore occupy lesser space in a container for ocean freight. To ride on the increasing popularity of RTA furniture, many furniture industry players have included RTA furniture as part of their product offerings, and continuously develop new RTA furniture designs with better quality and durability to meet demand from consumers.

2 FURNITURE INDUSTRY IN MALAYSIA

2.1 OVERVIEW

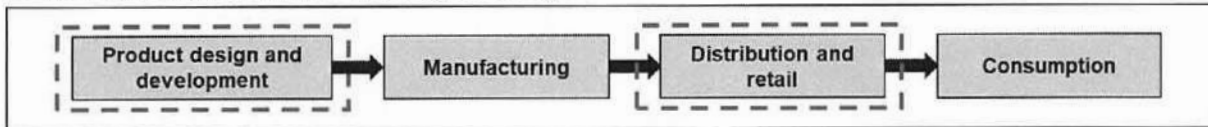
The furniture industry in Malaysia has traditionally been dominated by manufacturers who focus largely on contract manufacturing activities. Product designs were developed by customers and the customers may also specify the requirements for the materials to be used in the manufacturing process. These manufacturers typically focus on mass production and may often be inflexible to small scale customisation requests. The industry has however developed to one where many furniture manufacturers are now involved in product design and development, from prototype creation, detailed product design, development of product concepts and sourcing of materials, to manufacturing of the furniture. The industry has further evolved where industry players may focus on product design and development, whereas manufacturing of furniture is outsourced to third party manufacturers. By specialising in product design and development, industry players are able to continuously develop and offer new furniture designs in response to changing

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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market trends and consumer preferences, whilst minimising constraints in manufacturing capacity and schedules as they are able to engage third party manufacturers for the manufacturing works.

Value chain of the furniture industry in Malaysia



Notes:

- [Dashed box] denotes the segment in which Synergy Group is involved in.
- This list is not exhaustive.

Source: SMITH ZANDER

Industry players who design and develop their own products keep abreast with international trends and technologies, and actively create new designs and explore the creative usage of different materials while maintaining the quality of their furniture. These design and development capabilities add further value to the products and enable the domestic furniture industry players to differentiate themselves and increase their competitiveness in the international markets.

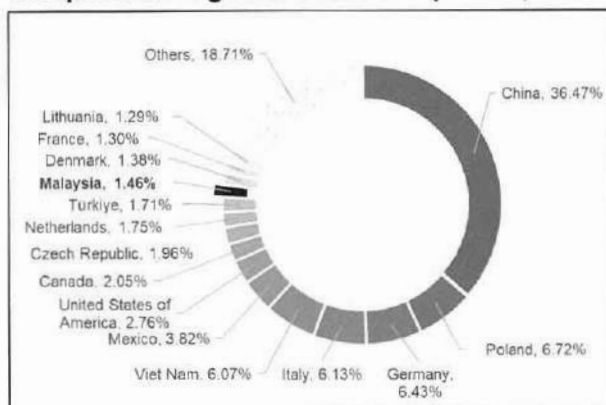
The manufactured furniture is sold to domestic and international distributors/ wholesalers/ importers, trading agents and furniture retailers as well as directly to consumers. The retail of furniture is traditionally done through physical stores; however, the advancement of digital technology and widespread use of electronic commerce (“e-commerce”) have enabled consumers to purchase furniture through e-commerce platforms. Please refer to **Chapter 4.2 Global Furniture E-commerce Market** for further information.

2.2 INDUSTRY PERFORMANCE, SIZE AND GROWTH

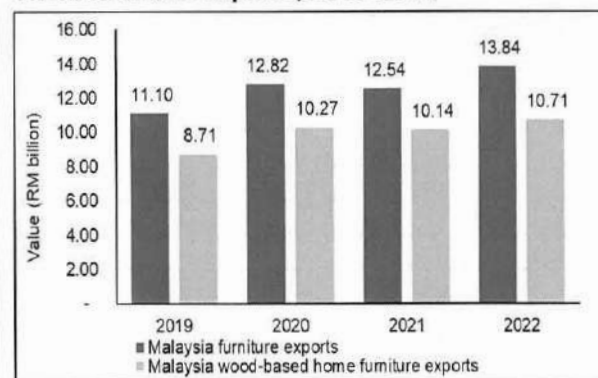
The furniture industry in Malaysia is driven by export demand. In 2022, furniture manufactured in Malaysia was exported globally to 174 countries¹. Based on latest data available, in 2021, Malaysia was the 12th largest furniture exporting country globally, accounting for 1.46% of total global furniture exports of USD 206.85 billion (RM857.48 billion)².

Between 2019 and 2022, Malaysia’s furniture export grew from RM11.10 billion to RM13.84 billion, at a Compound Annual Growth Rate (“CAGR”) of 7.63%. During the same period, Malaysia’s wood-based home furniture export grew from RM8.71 billion to RM10.71 billion at a CAGR of 7.13%.

Composition of global furniture exporters, 2021



Malaysia furniture exports and wood-based home furniture exports, 2019-2022



Note: Latest available as of 12 April 2023.

Sources: International Trade Centre, SMITH ZANDER

Sources: DOSM, SMITH ZANDER

¹ Sources: Department of Statistics Malaysia (“DOSM”), SMITH ZANDER.

² Exchange rate from USD to RM in 2021 was converted based on average annual exchange rates in 2021 extracted from published information from Bank Negara Malaysia at USD1=RM4.1454.

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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In view of the outbreak of the COVID-19 pandemic, the Government imposed various degrees of nationwide movement restrictions (i.e. Movement Control Order ("MCO"), conditional MCO, recovery MCO, National Recovery Plan ("NRP") and enhanced MCO) to curb the spread of COVID-19 between 18 March 2020 and 31 March 2022. As a result, there were temporary halts in furniture manufacturing activities, reduction in manufacturing capacity and/or disruption in supplies and materials during certain movement restriction periods. Industry players which focus on design, development and sale of furniture may have also been indirectly affected as they may have faced delays from their third party manufacturers to whom they outsource the manufacturing works, thus adversely impacting the delivery and sales of their furniture to customers.

In 2020, Malaysia's furniture exports recorded a year-on-year ("YOY") increase of 15.50% from RM11.10 billion in 2019 to RM12.82 billion in 2020 amidst the pandemic. During the same period, Malaysia's wood-based home furniture exports increased from RM 8.71 billion to RM10.27 billion, at a YOY growth of 17.91%. The increase in exports was mainly attributed to the increase in the demand for Malaysia's furniture due to the on-going United States ("US") - China trade war which has benefitted furniture exporters in Malaysia where Malaysia's furniture export to the US increased by 63.86% from 2019 to 2020, as well as a rise in global furniture e-commerce sales amidst the COVID-19 pandemic as detailed in **Chapter 4.2 Global Furniture E-commerce Market** of this IMR Report.

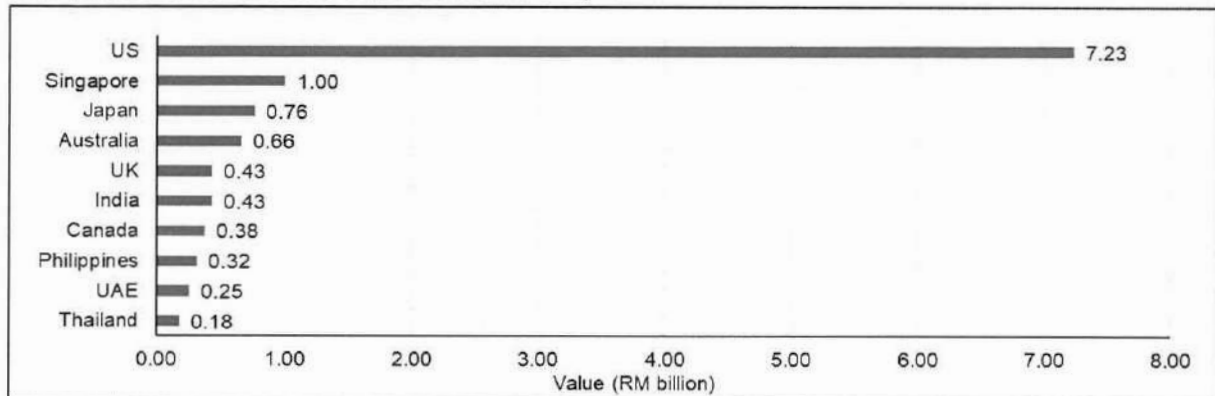
In 2021, the resurgence of COVID-19 cases in Malaysia led to the imposition of stricter movement restrictions (i.e. enhanced MCO and Phase 1 of the NRP) in all states and federal territories for different durations. This resulted in prolonged mandatory closures of furniture manufacturing activities in Malaysia, thereby impacting the exports of furniture (YOY: -2.18%), including wood-based home furniture (YOY: -1.27%), in 2021. While this impacted many furniture manufacturers in Malaysia, industry players who focus on product design and development, such as Synergy Group, were less impacted by this prolonged lockdown as they were not restricted by the mandatory closures and could appoint overseas manufacturers whose business operations were not disrupted.

Apart from the impact arising from the lockdown/ restriction measures imposed, furniture exporters also faced disruptions in product delivery due to global supply chain disruptions. Strict COVID-19 containment measures in some countries led to staff shortages at major ports worldwide and disrupted the berthing schedules of container ships. Further, global economic recovery in 2021 fuelled the demand for consumer goods and increased the demand for shipping services, which consequently resulted in a shortage of containers, thereby driving up transportation and logistics cost. All of these may have led to some delays in product delivery of furniture exports from Malaysia to meet the global demand for furniture.

Despite these temporary disruptions to the furniture industry in Malaysia, Malaysia's furniture export has recovered as Malaysia began its transition into the COVID-19 endemic phase on 1 April 2022 where all businesses activities have been allowed to fully operate. In 2022, Malaysia's furniture and wood-based furniture exports recorded a YOY growth of 10.37% and 5.62% respectively. Moving forward, Malaysia's furniture export will continue to be sustained by the global demand for furniture which is expected to remain strong as furniture are essential items to support daily activities. The global demand for furniture, including demand for Malaysian furniture is also underpinned by several drivers outlined in **Chapter 2.3 Demand Drivers** of this IMR Report.

In 2022, Malaysia's top 10 furniture export destinations were the US, Singapore, Japan, Australia, United Kingdom ("UK"), India, Canada, Philippines, United Arab Emirates ("UAE") and Thailand. The value of furniture exported by Malaysia to these 10 countries was RM11.64 billion, representing 84.10% of the total value of Malaysian furniture exports in 2022.

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Malaysia's top 10 furniture export destinations, 2022

Source: DOSM

2.3 DEMAND DRIVERS**► The furniture industry in Malaysia is driven by export demand arising from global furniture consumption**

Export demand for Malaysian furniture changes in accordance to global furniture consumption which is influenced by the following factors:

- **Global economic conditions**

Export demand for Malaysian furniture is driven by positive global economic conditions, particularly the US economy as the US is the largest export country for Malaysian furniture. In 2022, furniture exports to the US accounted for 52.24% of total furniture exports from Malaysia, followed by Singapore (7.23%), Japan (5.49%), Australia (4.77%) and the UK (3.11%). Economic conditions affect consumer spending which determines the demand for furniture. A conducive economic environment leads to the strengthening of consumer spending power, resulting in potential increase in property transactions and home renovation or refurbishment which would lead to higher demand for furniture.

- **Growth in global population and urbanisation**

Demand for furniture continues to increase globally as overall growth in population and increasing urbanisation creates demand for housing, which subsequently creates demand for furniture. The world population grew at a CAGR of 0.96% from 7.74 billion in 2019 to 7.89 billion in 2021, while urban population grew at a CAGR of 1.61% from 4.31 billion in 2019 to 4.45 billion in 2021. Moving forward, world population is projected to increase by 12.17% from 7.89 billion in 2021 to 8.85 billion in 2035, and urban population to increase by 23.60% from 4.45 billion in 2021 to 5.50 billion in 2035.³

- **Growing popularity of furniture e-commerce**

The purchase of furniture has been made increasingly convenient for consumers through e-commerce platforms. As such, furniture e-commerce is becoming more popular worldwide with increasing online purchases of furniture, especially during the COVID-19 pandemic whereby consumers are encouraged to shop online during lockdowns in the affected countries. While the COVID-19 situations in many countries have subsided, consumers are likely to continue with online shopping as they have adapted to the lifestyle and convenience of online shopping, including online shopping for furniture. The growth of furniture e-commerce worldwide thus boosts furniture consumption which leads to increasing export demand for Malaysian furniture to fulfil online orders. Please refer to **Chapter 4.2 Global Furniture E-commerce Market** for the growth of global furniture e-commerce sales.

³ Source: World Bank. Latest available as of 12 April 2023.